

This is a pre decisional document created by the Air Cargo Advance Screening (ACAS) Working Group for submission to the COAC Global Supply Chain Subcommittee for consideration. These documents reflect input from industry that helped foster discussions within subject matter experts and government representatives.

ACAS Pilot Participants Working Group
Framework for Self-Filer Solution – Integrated Carrier Cargo on Conventional Carriers

August 2013

(Note: an updated version will be available for the November 2013 COAC Meeting)

I. Description of the Issue

- a. The ACAS pilot involves the interactions of multiple trade parties covering 3 key supply chain business models:
- i. ***Integrated carrier shipments on the integrated carrier itself.*** This straightforward model has been analyzed since the pilot's earliest days, and most identified issues have been addressed. It is characterized by:
 - The integrated carrier's direct relationship with the shipper at the house bill level.
 - Master bill level utilized only for customs reporting requirements
 - Integrated carrier IT systems built to process and track shipments at the house bill level.
 - NTC access to integrated carrier IT systems allows visibility to additional substantive shipment data and (potentially – dependent on system variation) limited shipment tracking status.
 - ii. ***Freight forwarder shipments on a conventional carrier*** (this model is addressed in detail in a separate COAC ACAS WG document). This more complex model has been active since mid-2012, and intensive work to analyze its characteristics and challenges was initiated in late 2012. This model is characterized by:
 - Freight forwarder's direct relationship with the shipper at the house bill level
 - Conventional carrier's direct relationship with the freight forwarder at the master bill level.
 - Conventional carrier IT systems built to process and track shipments at the master bill level, with the house bill level as an adjunct system used only for customs reporting requirements.
 - NTC access to conventional carrier IT systems, if provided, would allow visibility to master-level shipment tracking status.
 - iii. ***Integrated carrier shipments on a conventional carrier.*** Although such shipments have been submitted to ACAS since the pilot's earliest days, in-depth analysis of this model, in particular how it differs from the two models described above, did not begin until February of 2013. Since this time, the key specificities of the model, especially with regard to how conventional carriers handle integrated carrier shipments - operationally and in their IT systems - have been identified and discussed. This model is characterized by:
 - Integrated carrier's direct relationship with the shipper at the house bill level; conventional carrier's direct relationship with the integrator at the master bill level.
 - Integrated carrier's IT systems built to process and track shipments at the house bill level, with the master bill level utilized only for customs reporting requirements and for accounting reconciliation with the conventional carrier.
 - Conventional carrier IT systems built to process and track shipments at the master bill level, with the conventional carrier having no visibility to house bill numbers/data and no house bill information in its systems.

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The table below provides a visual representation of the supply chain model specificities with regard to shipper-carrier relationships, master bill function, possession of and visibility to house bill data, and IT system capabilities.

	Integrated Carrier / Integrated Carrier	Forwarder / Conventional Carrier	Integrated Carrier / Conventional Carrier
House Bill Level	Integrated carrier direct relationship with shipper NTC access to integrated carrier IT systems allows visibility to additional substantive shipment data and (potentially) limited shipment tracking status	Forwarder direct relationship with shipper Limited data provided to conventional carrier for customs reporting NTC access to conventional carrier system could provide tracking status at master-level only.	Integrated carrier direct relationship with shipper No data provided to conventional carrier – customs reporting carried out by integrator
Master Bill Level	No relationship - used only because required by customs	Conventional direct relationship with forwarder	Conventional direct relationship with integrator
Carrier IT system	Processes and tracks at house level	Processes and tracks at master level	Processes and tracks at master level
Carrier Visibility	Full visibility to house level	Full visibility to master level Limited visibility to house level for customs reporting	Full visibility to master level <u>No visibility</u> to house level

- b. The Trade Act of 2002 specifically directs that regulations imposing advance data requirements on carriers must take into account differences in commercial practices, operational characteristics and technological capacity to collect and transmit information electronically (Section 343(A)(3)(D).

Under this standard and on all three levels – commercial, operational and technological – the specificities of the integrated carrier/conventional carrier supply chain business model justify a unique solution. To attempt to force integrated carrier shipments into the forwarder model, or conventional carriers into the integrated carrier model, would result in fundamental business process changes and IT modifications that would be so costly and disruptive as to be un-implementable.

II. Proposed Solution: Integrated Carrier – Conventional Carrier Self-Filer Model

- a. An integrated carrier who transmits into ACAS today has already set up a CBP-approved system to respond to any requests for additional screening, is already self-filing into Air AMS, and is already conducting the physical screening or data verification required by TSA’s ACAS referral resolution protocols.
- b. Likewise, the conventional carrier transporting integrated carrier shipments today does not have visibility under standard commercial and operational practices to the integrated carrier’s house bill data required by ACAS or Air AMS, nor does it have the technological capacity to collect, transmit or verify this information.
- c. Industry is therefore proposing an ACAS self-filer regime under CBP regulations and TSA security programs in which:
 - i. CBP establishes standards that must be met for approval as an Integrated Carrier Self-filer.
 - ii. The CBP-approved Integrated Carrier ACAS self-filer would have the regulatory responsibility to:
 1. Submit the required ACAS data
 2. Respond to any messaging and hold requests from the NTC pursuant to the program protocols, including “Selectee Data Issue Referrals” and “Selectee Screening Required Referrals”

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3. Screen "Selectee Screening Required Referrals" per TSA requirements, or to tender the cargo loose to the conventional carrier for the appropriate screening
 4. Certify to the carrier that it is an approved CBP ACAS integrator self-filer. One possible method that has been discussed by industry would be:
 - a. CBP issues an agent number to approved integrator self-filers.
 - b. The integrator provides this agent number to the conventional carrier on its MAWB documentation and/or in its MAWB messaging.
 - c. The carrier would transmit this agent number to the ACAS system. ACAS would respond with a master bill message confirming the validity of the self-filer code.
 5. Note - TSA issues related to this self-filer model are being discussed in a parallel group and are not addressed in this document.
- iii. The regulatory responsibility of the Carrier accepting cargo from an approved Integrated Carrier Self-filer is limited to verification of the self-filer certification(s) as set out above.

d. Do Not Load Considerations

- i. The design of ACAS, allowing the earliest possible delivery of shipment data for targeting, should permit DNL shipments to be identified prior to the integrated carrier tendering the cargo to the carrier. However, should late intelligence result in a shipment's status changing, rapid notification to the carrier in possession of the shipment is critical.
- ii. In the case of a DNL hold on an integrated carrier shipment that has already been transferred to another carrier, the following process ensures the transporting carrier is notified as quickly as possible:
 1. As with all DNLs, the NTC notifies the filer's designated ACAS contact, in this case the integrated carrier filer's 24/7 center.
 2. The integrated carrier, upon determining that the shipment has been transferred to another carrier, replies to NTC with the following information:
 - a. Master AWB number
 - b. Transporting Carrier
 - c. ULD identifier (if available)
 3. Utilizing the above information, the NTC contacts the identified transporting carrier via that carrier's designated ACAS contact. After this point, the NTC and the identified transporting carrier handle the DNL shipment in line with existing protocols.
 4. The NTC and integrated carrier maintain contact until the situation has been resolved.
 5. Practical efficiency and national security concerns require the NTC to play the leading role in contacting the transporting carrier. It is not envisioned that any responsibility to contact the transporting carrier will be placed on the integrated carrier.
 - a. The NTC is the only party with access to all inbound carriers' designated ACAS contact information, and thus the only party who can guarantee quick contact of the proper party at the transporting carrier.
 - b. Both parties' (the integrated carrier and the transporting carrier) ACAS regulatory responsibilities lie with CBP and security program responsibilities with TSA. These security-related responsibilities should remain with the government and not

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- devolve to a contractual relationship between the parties themselves.
- c. Any sharing of this responsibility between NTC and the integrated carrier raises the risk of miscommunication and confusion in a critical DNL situation.

III. Recommendations

- a. Recognition of the Integrated Carrier – Conventional Carrier business model as warranting a specific ACAS regulatory and operational approach due to its specificities in commercial practices, operational characteristics and technological capacity.
- b. Recognition of Integrated Carriers as a specific category of ACAS filer sufficiently distinct from other filer types so as to warrant specific, enhanced regulatory oversight and responsibilities.
- c. Based on the above recognitions, establishment of an Integrated Carrier – Conventional Carrier ACAS self-filer model that:
 - i. Places full regulatory responsibility for ACAS filings on the integrated carrier.
 - ii. Places regulatory responsibility on the integrated carrier to certify ACAS compliance to the transporting carrier.
 - iii. Limits regulatory responsibility of the transporting carrier to verification of the ACAS certification from the integrated carrier.
 - iv. Establishes specific operational response protocols for Do Not Load holds, in which the NTC maintains responsibility for contacting both the integrated carrier filer and the transporting carrier.