

U.S. Customs and Border Protection
Airport and Seaport Inspections
User Fee Advisory Committee
(UFAC)

Executive Summary

1:03 p.m. to 2:00 p.m.
Tuesday, June 2, 2015

Committee Welcome and Roll Call

Maria Luisa Boyce with U.S. Customs and Border Protection welcomed everyone -- members and public -- to the User Fee Advisory Committee Public Meeting. UFAC committee members present are as follows: Kevin McAleenan, Lisa Schimmelpfenning, Andres Hirschfeld, Matthew Pickens, James Phillips, Norm Schenk, Adam Schless, Ajith (A.J.) Pillai, Bradley Rubinstein, Barbara Kostuk, Saba Abashawl, Todd Owen, Patrick Schmidt, Sikina Hasham, Sharon L. Brown, Joanne Fitzgerald, Dugene H. Scheid, Keith Bratt, Robert Joachim, Sonja Grant, Steve Graham, Kim Hall, and Rosemarie Andolino. From the roll call transcript it seems that the following members were not present: Darrell Bryan, Matt Cornelius, Gina Marie Lindsey, Byford Treanor, Miguel Perez, Saba Abashawl. Rosemarie Andolino was listed in the contents as present; however, she didn't respond during roll call. Ms. Boyce forgot to take roll during the typical time, but did so after Mr. McAleenan's opening remarks.

Ms. Boyce then introduced the Deputy Commissioner, Kevin McAleenan, for opening remarks.

Opening Remarks by Kevin McAleenan, Deputy Commissioner

Mr. McAleenan acknowledged his colleagues, Commissioner Owen from Field Operations; Maria Luisa Boyce for her leadership; Bob Joachim, Acting Executive Director for Budget; and UFAC Chairpersons Andrew Hirschfeld and Lisa Schimmelpfenning.

He said as he looked back over the past year and a half, an in-depth view of the budget structure, an overview of cost modeling, and how costs are captured of the activities undertaken that the user fees help reimburse, and looked at an inventory of all user fees to understand how the fees were derived, how they have been calculated and collected. He said that some recommendations are being implemented while others are being postponed.

Mr. McAleenan pointed out the work that has been done by the Airlines Working Group and said it was important to see not only the CBP aspects that airlines are managing but to see the interaction with the passenger ticket as we move forward. He reported that the Financial Assessment and Options Subcommittee provided an overview of fees collected in other transportation modes.

Opening Remarks by Andres Hirschfeld, Co-Chair, United Airlines

Mr. Hirschfeld provided a brief update of UFAC activities since the last meeting. User fee collections and remittance to CBP mapping was undertaken for air, land, and sea transportation

modes. A user fee matrix covering 20 international air markets has been developed. He thanked all the UFAC members for their work and development of recommendations that are to be presented later, as well as Ms. Boyce and the CBP team for their partnership.

Financial Assessment and Options Subcommittee

Mr. Joachim thanked the committee for their patience in working with him since he is somewhat new to the committee. He reported speaking to the committee earlier this spring about the contents of the FY16 budget request. He said he hopes a contract for a third-party study will be signed by the end of this month or the beginning of next month. He stated he is eager to know the recommendations out of the subcommittees.

Mr. Pickens said that one of the most important things that's come up is a modeling that was done jointly between private industry and the government on how the profit flows from air passenger user fees, from how they are paid by the travelers, how the airlines or travel agents collect them and then remit them to the government, and then how the government goes through the process of administering the fees and tracking the expenses and expensing the funds. He said he hopes this will reveal some misconceptions and misunderstandings on both sides.

He said he believes that as they move forward they should try to see if there are best practices in air environments and other sectors that could be applied to some or all other sectors.

Mr. Pillai reminded those present that this subcommittee was set up at the last public meeting. He said the objective was to provide advice and recommendations on the financial performance of the agency as it pertains to user fee income and its use in the agency's operations. From the work that was done, the subcommittee has come up with the following four recommendations:

The UFAC committee first recommends that CBP create a master inventory for all modes and CBP inspection activities to reflect the fees paid by all users. Mr. Pillai added for clarification that they were provided with information on the collection of fees by CBP and that the industry has provided how the fees can be collected and transmitted. He explained that the subcommittee is asking to develop a combined new joint document.

The second recommendation is that UFAC recommends that CBP collect a comprehensive user fee collection, remittance, and use process outline to include all modes and all inspection activities. This process outline should capture the timing and transmittal methodologies of the user fees in conjunction with the CBP.

The third recommendation is: UFAC recommends that both CBP and the modes of transport assess the impact of the current CBP fee remittance schedule.

The fourth recommendation is: The UFAC recommends that CBP conduct a study of the impact of CBP operations in light of cash flow coming from reimbursable agreements. Example: The

new pre-clearance funding model and the timing of staffing such as new ports with experienced CBP staff from existing ports.

After the motion was seconded, Ms. Boyce called for discussion. Ms. Schimmelpfenning made a suggestion on the third recommendation. She said it was suggested that an update within a six-month time frame be added to the language of the third recommendation.

Ms. Boyce took a vote and all four recommendations were passed.

Ms. Boyce requested comments from the public. Kim Hall with Cruise Lines International Association spoke up and said that at the last public meeting Sonja Grant requested that Ms. Hall be a part of the subcommittee in reference to sea mode, but Ms. Hall never heard from anyone about it. She said she applied to be on the UFAC and wondered the current status of the sea mode portion. Ms. Boyce and Ms. Hall discussed the status of the sea mode portion, and Ms. Boyce asked Ms. Schimmelpfenning to provide an overview of what was done.

Ms. Schimmelpfenning said that some fee structures relative to the sea industry had been discussed but that they have not delved into the sea mode as deeply as they would like. She added that this topic will be part of the charter as the committee continues with the next application process and subcommittee review.

Process Improvement Subcommittee

Matt Pickens said the Subcommittee has focused heavily on business transformation initiatives and efforts to transform and innovate processes to reach maximum efficiency within the operating and legal environments. He reported that a main focus has been looking at revenue modernization. They have worked to find better ways to collect and extend revenue.

Jim Phillips mentioned that this subcommittee was made up of more than two-thirds of the members of the entire UFAC, which resulted in a very broad input of expertise. The subcommittee was charged with providing recommendations, advice, and suggestions on process improvements to CBP operations in order to reduce costs and improve efficiency without reducing the required security at ports of entry and within internal operations.

Mr. Phillips reported the subcommittee has developed 17 recommendations that have had input of all the committee. He added that the committee has developed estimated savings and reduction in future hiring of personnel for each of the major recommendations. As co-chairs of the Subcommittee, Jim Phillips and Norm Schenk moved to accept the following 17 recommendations. The motion was seconded by Mr. Pillai.

Before reading the recommendations, Mr. Phillips explained that the recommendations were grouped into three categories, all of which reflect the purpose of reducing current CBP hours and costs while increasing efficiency without decreasing security. He stated that this is a very critical

element in order to reduce the needs for future user fee funds. Mr. Phillips said the first grouping of recommendations is revenue modernization with the purpose being that the Process Improvement Subcommittee provides the following recommendations focused on CBP collection of user fee processes and methodologies that are inefficient and divert excessive office time from performing the mission.

Recommendation No. 1: UFAC recommends that CBP eliminate cash collections of fees by CBP officers at the border.

Recommendation No. 2: UFAC recommends that CBP undertake a review of fee collections to utilize best practices, streamline processes, and eliminate outdated paper processes that still are present. Those are the two for Revenue Modernization.

The next two recommendations are related to budget.

Recommendation No. 3: UFAC recognizes that CBP continues to operate with outdated servers, networks, connections, and legacy stovepipe applications that may negatively impact user fee activities and recommends that CBP and other stakeholders work to reverse the steady decline in information and technology development and investment.

Recommendation No. 4: UFAC recommends that CBP continue to utilize advances in technology to upgrade its radiation portal monitoring equipment to further eliminate false positives which impact activities funded by user fees and reduce fluidity of cargo crossing the border.

Mr. Phillips interjected information here that new equipment recently installed on a partnership basis at the Peace Bridge in New York has shown false positives reduced by 50 percent. The target is 80 percent sometime in the future. He continued and said that the Resource Optimization is the next and largest category.

Recommendation No. 5: UFAC recognizes that CBP has made significant efforts in optimizing resources to get CBP officers back to the front line -- 729 officers have been saved internally by CBP -- to focus on user fee funded operations, and recommends that CBP continue to seek efficiencies such as hiring non law enforcement personnel to perform administrative and processing functions currently performed by officers.

Recommendation No. 6: The UFAC recommends that CBP expand the categories of eligible users of the automated passport control kiosks where appropriate, while maintaining security, increasing efficiency, and reducing passenger delays.

Recommendation No. 7: The UFAC recommends that CBP immediately take the steps to mandate that all trucks require e-manifests. Currently, approximately 30 percent of trucks not covered in the original legislation arrive at CBP primary inspection at the border with no notice,

using paper manifest documents requiring extensive extra time of officers in primary inspection to process them, while causing delay time of trucks behind them in line.

Recommendation No. 8: The UFAC recommends that CBP continue to expand trusted traveler program participation such as MEXUS, SENTRI, and Global Entry to expedite processing of low-risk travelers which will result in savings that will stretch user fee use.

Recommendation No. 9: UFAC recommends that CBP and other appropriate stakeholders encourage U.S. citizen travelers to obtain and utilize U.S. passport cards to use at the Canada/U.S. land border, as is currently the success case at the Mexican/U.S. border, saving 24 seconds per inspection.

Mr. Phillips added that 85 percent of crossers at the southern border are using the vicinity FRID cards, whereas less than 20 percent are being used at the northern border.

Recommendation No. 10: UFAC recommends that CBP achieve cross-designation authority with FDA, USDA, et cetera, at 24/7 ports when personnel from those agencies are not present at the port to eliminate current product holds overnight or weekends until those agencies' personnel are again on site.

Mr. Phillips added that the President's Executive Order mandates that we have cross-designation capability by 2017 for single window. We would like to see it sooner.

Recommendation No. 11: UFAC recognized that CBP has made significant efforts in optimizing resources to get CBP officers back on the front line to focus on user fee funded operations and recommends that CBP be further encouraged to increase technology to perform numerous operations to support the Mission such as hand-held technology, et cetera.

Recommendation No. 12: The UFAC recommends that CBP expand its modified egress pilot to determine what processes are necessary to ensure that egress processing does not continue to adversely affect wait times while also maintaining security. This pilot is at the Detroit airport and working very well.

Recommendation No. 13: The UFAC recommends that CBP is urged to develop and implement the DHS Secure Transit Corridor process that was successfully piloted in the Beyond the Border effort.

Recommendation No. 14: The UFAC recommends that CBP proceed with priority to develop implementation of the recently signed preclearance agreement with Canada to be operational when legislation is enacted, which should be in early 2016, to realize joint two-officer, co-located teams inspecting in both directions at the smaller volume ports, 40 of them on the borders, allowing officers to be reassigned.

Recommendation No. 15: The UFAC recommends that with the recently signed preclearance agreement with Canada, CBP undertake a cost-benefit analysis of joint management and joint operations at our shared land borders.

Recommendation No. 16: The UFAC recommends that CBP initiate a pilot at one CSI port to inspect offshore with no load decisions thereby protecting the ocean transit lanes, eliminating inspection upon arrival; therefore, allowing green land offloading of containers directly to rail or truck with the exception of statistical and random selected inspections as well, upon arrival at our shared land border, to allow evaluation of outcomes and a cost-benefit analysis. Check once and accept thrice, as opposed to the current check once and accept twice.

Recommendation No. 17: UFAC recommends that CBP develop a process to stream Trusted Trader trucks, as we now do for NEXUS travelers, to eliminate the current random arrival of trucks that causes excessive and unnecessary delay of Trusted Traders who have conformed with all of these requirements to receive a lower cost efficient experience of border crossing. Use of preprocessing diversion of non-trusted trader trucks is envisioned.

Mr. Bradley Rubinstein commented that CBP is a leader in process re-engineering and that many of their efforts are very imaginative. He added that the arrivals process at airports around the U.S. have been transformed with greater passenger satisfaction, less wait times, and there is not a great partnership between the air providers and CBP.

Ms. Boyce conducted a vote, and all 17 recommendations were carried. Mr. McAleenan then asked if he could make a comment. He said he wanted to add to Mr. Rubinstein's comment and said that these business transformations only work as a partnership. He stated that passenger transformation doesn't happen without the private sector participation, whether it's the APC's automated passport control for the public kiosks, there has been wide adoption with 40 terminals in less than two years. Mr. McAleenan thanked the subcommittee for their recommendations. The changes that have taken place are making the industry more secure and more efficient.

Mr. McAleenan commented on preclearance. He said it is one of the best ways to provide security but also to facilitate travel to the U.S., to open up the connecting times at our U.S. gateways, and to open up new direct routes to the U.S. The Canadian preclearance agreement that was signed this spring is a big milestone. He also noted the importance of the traveling public using their passport cards. He thanked the group for their well-thought out recommendations.

He added that in the same spirit in intensity and transformation, work needs to be done on the cargo side. He said Rad/Nuc is a perfect example that was referenced. The reduction of nuisance alarms at major seaports is now being applied at the land border. He said he would be remiss if he didn't note the recommendation on non-law enforcement personnel providing a more cost effective force multiplier for our officers and Ag specialists.

Mr. McAleenan asked how the same or more effective operations can be achieved at a lower cost. He stated that the Assistant Commissioner gives the money and leaves it to us to fit the mission enhancements within that budget.

Ms. Boyce thanked Mr. McAleenan and said that with regard to Recommendation No. 10, where they talked about the cross-designation authority with FDA, USDA, and the reference to single window, she would like to propose that this recommendation be moved to the COAC Advisory Committee that is actually working on these issues for Single Window. She suggested telling them this came as a recommendation from the User Fee Advisory Committee and they can provide some updates on that part. Mr. Rubinstein said that all 17 recommendations will be forwarded to COAC.

Mr. Rubinstein said one of the big challenges is how one takes all this complex information that we're gathering and put it in a form that is easier for people to understand. He commented that there is a mismatch between where the money is coming from and what services are being provided for the monies that are being collected. He said it makes it hard to make easy comparisons.

Mr. Phillips added that through this process they have formed a workable solution to talking about things.

Barbara Kostuk said she appreciates all the hard work on both sides. She said that a lot of the questions that have been asked have been the same questions asked in the late 90's. She said she was part of the INS User Fee Committee and remembers asking the same questions back then, but she appreciates everyone's hard work. She said she thinks as the recommendations go forward, things will be flushed out.

Lisa Schimmelpfenning expressed thanks to her colleagues and stated that one of the challenges is to get through a lot of the budgeting information and translate that into what it looks like from either a cargo or a passenger efficiency. She said she believes there is work to be done to translate what the end result and success look like.

Mr. Phillips said he has a message for two colleagues on the subcommittee who have voiced concern about the time they had or what it looked like. These two members added great strength to the group. Without naming them, he asked them to please re-up because they have been assets and contributed a lot.

Mr. McAleenan responded to Ms. Schimmelpfenning's comment and said she may have shined a light on the path for the next User Fee Advisory Committee session. He said getting the economic value created by applying user fees into border services, border management efforts, the return on investment from that and trying to come up with models to help analyze the economic impact and economic benefits of fees in the different environments would be instructive to tailoring and refining the fee structure.

Ms. Schimmelpfenning commented that even though there is a lot of complex information, it is not important to be overwhelmed with the minutiae involved in the budgeting process but more important to understand the big picture and how that translates into our ability to execute our plans because, she said, our purpose is to improve the business operation as well as make sure we're operating compliantly within those confines to add value to the process.

Mr. Hirschfeld said it was useful for him to hear about the land and sea border operations because it took the focus off the airports. He found it interesting to hear about the potential of CBSA and CBP on the Canadian border and how much more closely they're working together than seemingly at the airport. This caused him to wonder how this might translate into an airport operation in the future.

Norm Schenk commented that CBP is light years ahead of most countries when it comes to trying to find progress solutions without compromising the responsibilities, and they're both important on that. He said with respect to going to COAC, there are policy and legislative things. He wondered if the whole thing with COAC should be tabled or if there should be an attempt to work with the other agencies to get them to be more progressive.

Ms. Boyce said they are taking the effort now of the Single Window and bringing together the concept of file once, use the information many times. She added that the beauty from a cargo movement is that U.S. and industry will both receive one message telling them who has it on hold and what information is needed. She said she thinks it is being worked on in the government subcommittee in COAC in terms of looking at the operational implementation of some changes of processes that are going to be done with the Single Window -- with the ACE full implementation. She clarified and said they are not only automating the process, they are modernizing the way they do business.

Norm Schenk added that Single Window is not the destination and said it is a step forward for more of an account-based approach. He stated that a couple of the agencies that need the most help have not been the most supportive of the ideas. He said the trade bears the bulk of the responsibility of working the Hill and working with these groups and that it shouldn't just fall back on COAC because these are some tough fundamental questions.

Ms. Hall brought up the subject of the ball being dropped when she wanted to participate and said she wants to make sure communication isn't lost again. Ms. Boyce apologized and said they will make sure the cruise line industry is included in the conversations.

Mr. Rubinstein said that even though he represents the Port Authority of New York, New Jersey, and the Ports of Newark and Elizabeth, he does not bring expertise on maritime issues. He stated that it is important as they look both for the cruise industry, but also to make sure they properly represent maritime cargo issues as well. Ms. Boyce concurred.

Ms. Boyce adjourned the public hearing at 2:00 o'clock p.m.