

UNITED STATES OF AMERICA
DEPARTMENT OF HOMELAND SECURITY
BORDER AND TRANSPORTATION SECURITY DIRECTORATE
BUREAU OF CUSTOMS AND BORDER PROTECTION

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ADVISORY COMMITTEE ON COMMERCIAL OPERATIONS OF CUSTOMS AND
BORDER PROTECTION (CBP)

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MEETING

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WEDNESDAY
MARCH 6, 2013

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The Advisory Committee met in the Horizon Ballroom of the Ronald Reagan Building and International Trade Center, 1300 Pennsylvania Avenue N.W., Washington, D.C., at 1:00 p.m., Maria Luisa Boyce and Timothy Skud, presiding.

PRESENT

TED SHERMAN, Target Corporation
KATHLEEN NEAL, Regal Beloit
DAVID BERRY, Swift Transportation Corporation
LEMAN 'CHIP' BOWN, FedEx Trade Networks
SCOTT BOYER, Kraft Foods Group, Inc.
MARY ANN COMSTOCK, UPS Supply Chain Solutions
JEFF COPPERSMITH, Coppersmith Global Logistics, Inc.
WILLIAM FERGUSON, NYK Line (North America) Inc.
BRANDON FRIED, The Airforwardsers Associations
CAROL HALLETT, Counselor, U.S. Chamber of Commerce
SUZANNE 'SUSIE' HOEGER, Abbott Laboratories
VINCENT IACOPELLA, The Janel Group of Los Angeles, Inc.
KAREN KENNEY, Liberty International, Inc.
JULIE ANN PARKS, Raytheon Co.
JIM PHILLIPS, General Motors, LLC

ELIZABETH SHAVER, The Airlines of America
GEORGE WEISE, Sandler & Travis Trade Advisory Services

COAC PARTICIPATION BY PHONE

WILLIAM EARLE, National Association of Beverage Importers
MATTHEW FASS, Maritime Products International

GOVERNMENT PARTICIPATION BY PHONE

ELLEN MCCLAIN, Deputy Assistant Secretary, Trans-Border
Policy, Department of Homeland Security

ALSO PRESENT

DAVID V. AUGILAR, Deputy Commissioner, CBP
TIMOTHY SKUD, Co-Chair, Deputy Assistant Secretary, Tax, Trade, and Tariff Policy,
U.S. Department of the Treasury
THOMAS WINKOWSKI, Chief Operating Officer, CBP
MARIA LUISA BOYCE, Co-Chair, Senior Advisor for Private Sector Engagement,
Office of Trade Relations, CBP
ALLEN GINA, Assistant Commissioner, Office of International Trade, CBP
KEVIN McALEENAN, Acting Assistant Commissioner, Office of Field Operations,
CBP
CHARLES ARMSTRONG, Assistant Commissioner, Office of Information and
Technology, CBP
EUGENE SCHIED, Assistant Commissioner, Office of Administration, CBP
LEV KUBIAK, National Intellectual Property Rights Coordination Center, ICE, DHS
DANIEL BALDWIN, Executive Director, Cargo and Conveyance Security, Office of
Field Operations, CBP
ANA HINOJOSA, Lead Executive, Border Initiatives, Office of Field Operations, CBP
JOHN LEONARD, Acting Executive Director, Trade Policy and Programs, Office of
International Trade, CBP
BRENDA SMITH, Executive Director, Trade Policy and Programs, Office of
International Trade, CBP

Opening Remarks

Acting Co-Chair Maria Luisa Boyce called the meeting to order at 1:09 p.m., and began by saying that Deputy Commissioner Aguilar, Chief Operating Officer Mr. Winkowski, A.C. McAleenan would be joining the meeting and making opening comments at a later time. Co-Chair Boyce and Co-Chair Timothy Skud would be presiding over the meeting today. Ms. Boyce noted that the meeting was well represented by the CBP and thanked all the people present in person and on the webcast. She welcomed all to the first meeting of the 13th term of COAC.

Co-Chair Timothy Skud thanked all for being present.

Oath and Recognition of Incoming 13th Term COAC Members

Co-Chair Skud administered the oath and the new members were sworn in. Following this, **Co-Chair Boyce** took a roll call of the members.

Designated Federal Officer (DFO) Update

DFO Boyce noted the achievements of CBP and COAC's trade transformation goals and stated that changes to the structure of subcommittees were made for increase efficiency. The six subcommittees identified for the 13th term of COAC will be composed of COAC members and will have a working group as well. The working group will work with outside subject matter experts to work on specific goals, deadlines, and results to improve metrics and measuring efficiency. Co-Chair Boyce is excited about the new format and strategy. The six subcommittees are

1. Trade Modernization, which will include Chip Bown, Jim Phillips, and Vince Iacopella from COAC, and John Leonard and Brenda Smith from CBP,
2. Trusted Trader, which will include Bill Ferguson and Bill Earle from COAC and Dan Baldwin and John Leonard from CBP,
3. One U.S. Government at the Border, which will include Mary Ann Comstock and Susie Hoeger from COAC, and Brenda Smith and John Leonard from CBP,
4. Trade Enforcement and Revenue Collection, which will include Karen Kenney and Matt Fass from COAC and John Leonard from CBP,
5. Global Supply Chain Security, which will include Chip Bown and Jim Phillips from COAC, and Dan Baldwin and Ana Hinojosa from CBP, and
6. Exports and Outbound, which will include Julie Ann Parks from COAC, and Dan Baldwin and Brenda Smith from CBP.

Co-Chair Boyce also reminded the public and those on webcast that the subcommittees' materials will be available online. She believes this new format will be more dynamic and foster discussion, and she is looking forward to a very exciting year.

Co-Chair Skud added that since the Trade Enforcement and Revenue Collection subcommittee works with the Treasury, he would like to be included in the subcommittee's discussions.

Review, Discuss Statement of Work and Next Steps regarding the Trade Modernization Subcommittee

Mr. Chip Bown stated that it was a privilege and honor to serve on COAC and co-chair this subcommittee and began his presentation. He stated that the committee will focus on providing advice and recommendations with regard to the Centers of Excellences, the various Automated Commercial Environment (ACE) development activities, and the Role of the Broker.

In regard to the Centers of Excellence tasking, Mr. Bown stated that he looks forward to hear more about expansion plans of the Centers from the good work of the CBP. Mr. Bown is encouraged by the progress, particularly with the Agile Development Program, and hopes that the workings on ACE will continue in the Trade Support Network (TSN). Mr. Bown anticipates that discussions of the Role of the Broker will continue in the future and the primary foci are currently on the Centers of Excellence and ACE development. Specifically, this will include simplifying the entry process, review of the simplification, and expansion to other modes of transportation.

Mr. Jim Phillips also stated that it was an honor to serve on COAC and co-chair this subcommittee with Mr. Bown. He added that with the Centers for Excellence, the CBP worked with COAC to go from an idea of program development to initial implementation. Mr. Phillips stated that the subcommittee will provide input on benefits envisioned for CBP and demonstrate that success with metrics. Regarding ACE, Mr. Phillips emphasized the role of the TSN and the development of detail with ACE functionality and continued discussion with outreach. Mr. Phillips is pleased to be included in various discussions with other associations regarding the Role of the Broker and hopes to do more work in the future. He looks forward to continuing the good work on entry simplification and notes the consideration to include entry summary and payment simplification.

Mr. John Leonard noted that the COAC is instrumental in helping CBP brainstorm and execute trade transformation initiatives. Regarding the Centers for Excellence and Expertise, Mr. Leonard stated that COAC will assist CBP in evaluating the Centers' efficiency with surveys and feedback for improved metrics on results. He stated that with the Role of the Broker, a large part of change will be rewriting regulations with the guidance of the broker community within COAC.

Ms. Brenda Smith stated that she and her colleague, Phil Landfried, along with their teams have looked at the use of the Agile Development approach, which places a premium on outcome transparency and working with users as software is developed. A pilot program started in January focused on key TSN priorities and key pieces of cargo release functionality. This work has contributed to the core functionality and import and export processing within ACE in one system. She is encouraged by the progress of ACE and the opportunities this method presents. Hopes for the future include a more flexible process with more stakeholder interaction to identify the potential requirements of the

system. She reiterated the success of TSN collaboration and outreach to work on software development. Work with entry summary edits and reengineering of automated export systems has been ongoing. Private sector input is helpful to transforming trade with ACE.

Co-Chair Skud added that the current position of progress with ACE is exciting and commended Ms. Smith and Mr. Landfried on their work. Mr. Skud also noted the link between the work on entry release and other agencies programs, such as International Trade Data System (ITDS). He cited a survey of the importance of interagency participation in the clearance and Centers for Excellence and Expertise process. He reiterated his appreciation for Ms. Smith and Mr. Landfried's work.

Trusted Trader Subcommittee

Mr. Bill Ferguson stated that the subcommittee is expected to assist CBP to develop an enhanced Trusted Trader Program (TTP) and continue to advise CBP on Customs-Trade Partnership Against Terrorism (C-TPAT) issues, which includes trade compliance and enforcement. CBP is moving towards an AEO program, which creates an opportunity to both amend its current mutual recognition agreements and enhance the future Mutual Recognition Agreements (MRAs) by including trade compliance criteria and offering corresponding incentives for participants. Mr. Ferguson noted that a Trusted Trader Working Group was established and developed a Trusted Trader proposal inclusive of near, mid, and long-term benefits and incentives. CBP has referred this work to COAC for continued development.

Mr. Ferguson added that the subcommittee will develop a TTP proposal to address Trusted Trader across all Partner Government Agencies (PGAs) to identify measurable benefits and incentives. The subcommittee will also develop and execute a test, draft a Standard Operating Procedure (SOP) for the new TTP, and address all trade transformation surrounding C-TPAT. Mr. Ferguson noted that C-TPAT will continue to stand alone, due to its importance to security; the subcommittee will work on general C-TPAT matters. This includes alignment with Authorized Economic Operators (AEO) programs. Mr. Ferguson concluded by stating that the subcommittee will seek measures to attract new Trusted Trader and C-TPAT members to maintain and improve effectiveness of programs.

Mr. Dan Baldwin added that the program is not necessarily a new one, but has been concerned with bringing in more alignment with the AEO community. Integrating security and compliance efforts with a more holistic process encourages interagency partnership within the government. Mr. Baldwin was pleased to state that CBP has also selected Lauren Kaufer as a permanent C-TPAT director. He also noted that evaluating criteria for the tier structure for carriers would be a positive project for the subcommittee.

Mr. John Leonard reiterated Mr. Baldwin's comments regarding holistic approaches.

Public Comments

Mr. Jon Kent of the National Custom Brokers & Forwarders Association inquired about the current sequester and its effect on the progress of the subcommittees' work. **Co-Chair Boyce** thanked Mr. Kent for his comment and conveyed that the Committee is doing everything possible with the available resources to continue the trade transformation strategies discussed. She stated that the Commissioner and Deputy will elaborate once they arrive.

Mr. Roger Muse with the ANSI-ASQ National Accreditation Board (ANAB) stated that ANAB proposes industry partnerships with C-TPAT to improve the security of supply chains and administration of the C-TPAT, as existing private-sector infrastructure of accredited certification for management systems provides an opportunity to effectively support public sector resources. ANAB proposes to provide verification by accredited certification by means of an initial document review and an annual on-site review of C-TPAT partners. ANAB also proposes to provide a focus for further validation selections based on more data from the aforementioned on-site reviews and proposes to work jointly with C-TPAT to provide the accreditation process.

Co-Chair Boyce thanked Mr. Muse for his comments and asked for his question in writing. **Mr. Baldwin** also thanked Mr. Muse for his input and stated that his question and collaboration with partnership programs merits consideration.

A participant asked a web question on behalf of **Dr. Bob Perkins**, who inquired how the Trusted Trader Committee will develop tangible benefits for importers to pursue the program. Mr. Baldwin replied that the Trusted Trader Working Group developed approximately 30 incentives, which appears to be a more effective method than the former incentive development.

Following the public comment period, a short recess was taken.

Opening Remarks

Deputy Commissioner David Aguilar arrived and welcomed and introduced the COAC members to the 13th term of the COAC. He thanked the members for volunteering their services. Mr. Aguilar discussed the restructuring of the subcommittees and overviewed the COAC's accomplishments, which includes greater efficiency, the scheduled openings of six new Centers of Excellence and Expertise, and the master principles document for One U.S. Government at the Border. He also stated that this will be the last meeting in which he will preside as Deputy Commissioner and congratulated the COAC on their progressive work.

Ms. Ellen McClain also welcomed the members of COAC and provided an update with respect to the National Global Supply Chain Security Strategy. She commented on its success and stated that a report delineating recommendations is available on the White House's website. Many of the recommendations outlined in the report will be

implemented in part by the Department of Homeland Security (DHS) and the National Security Staff (NSS) has identified four broad priorities, such as partnership programs, standards, and cargo supply chain technology, to pursue in the next year. The report also identified accelerating implementation of the international trade data system. Ms. McClain also highlighted the Air Mail Advanced Screening (AMAS) pilot program initiative, which, in collaboration with other countries, will enhance the security of the international mail supply chain and facilitate the delivery of mail worldwide. Ms. McClain thanked Deputy Commissioner Aguilar for his leadership and achievements these past few years.

Mr. Ted Sherman is looking forward to the coming term and hopes to continue the success and productivity of the 12th term COAC, which include work with ACE, IPR initiatives, and border security. Mr. Sherman stated that the new COAC structure will stand the test of time, and increased work in metrics will increase accountability, predictability, consistency, transparency, and speed of the global supply chain. Partnership is very important in the context of the current sequestration and working together with stakeholders will minimize the impact. Mr. Sherman thanked Co-Chair Boyce and her team for their support, and recognized and thanked Deputy Commissioner Aguilar for his years of service.

One U.S. Government at the Border Subcommittee

Ms. Mary Ann Comstock delineated the history of the subcommittee's work on the master principles document, which was adopted by the 12th term COAC in January 2013. **Ms. Susie Hoeger** stated that because of the master principles document, the subcommittee established five key priorities. The subcommittee will work with the Border Inter-Agency Executive Council (BIEC) to identify and execute actionable items, as well as analyze best practices and obstacles to support partnership programs and sharing between those programs. The subcommittee will also continue to support the implementation of the "single window" automation and leverage COAC to obtain trade community feedback via survey and how other Government agency holds are impacting cargo processing and trade facilitation efforts. Ms. Hoeger stated that this work regarding the master principles document can be shared with the Exports Subcommittee with the purpose of establishing a similar document for exports.

Mr. John Leonard discussed the One U.S. Government at the Border roadmap, which contains the three main principles of information sharing, automation, and Trusted Trader. Mr. Leonard hopes that these concepts can be utilized in encouraging interagency collaboration and that COAC can be essential in their influence.

Mr. Dan Baldwin added that the critical aspect of the Trusted Trader proposal is incentivization, and using this would be the best possibility. Mr. Baldwin reiterated Ms. Hoeger's point regarding collaboration with the Export Committee.

Trade Enforcement and Revenue Collection Subcommittee

Ms. Karen Kenney explained that the subcommittee was formed by combining former 12th term COAC subcommittees to assist CBP in improving enforcement of trade laws and collecting revenue while facilitating legitimate trade. Ms. Kenney expects that working groups that focus on refining and discussing deliverables associated with our four key trade enforcement and facilitation topics will utilize outside subject matter experts. The deliverables will include IPR topics and regulatory audits. The subcommittee will explore discussions of bidirectional education regarding refurbished goods and facilitation and enforcement efforts in the small package environment, as well as voluntary disclosure. Ms. Kenney noted that the conversation of metrics is important to continue, particularly in regard to IPR facilitation and enforcement.

Mr. Matt Fass commended CBP on the recent work with the AD/CVD honey case and the terrific work that began last COAC term. Utilizing the strategies developed in the 12th term of COAC will foster productive discussion to develop the issues needing attention and resolution.

Mr. John Leonard supported Ms. Kenney's point regarding deliverables and indicated that definite progress can be speedily made on these projects. Mr. Leonard also noted that Mr. Tim Skud will join him as a co-chair on this subcommittee and thanked Mr. Fass for his commendation regarding the work of the CBP and the honey case.

Mr. Lev Kubiak added that the success of the CBP's work and cases can be attributed to a completely integrated and holistic approach by various personnel. Mr. Kubiak also added that collaboration with industry, trade, and other agencies was fundamental to the success of the honey case, as well as the sporting goods and toys in New York cases.

Review, Discuss Statement of Work and Next Steps regarding the Global Supply Chain Subcommittee

Mr. Jim Phillips identified the Air Cargo Advanced Screening Process (ACAS), the Beyond the Border initiative, and the 21st Century Border initiative as priorities of the subcommittee. Mr. Phillips stated that the subcommittee had the opportunity to provide initial input regarding both Border initiatives. Beyond the Border, which is a significant agreement between Canada and the U.S., has addressed threats at the earliest possible opportunity, facilitated trade and economic growth, built on successful cross-border law enforcement programs, and enhanced cross-border critical and cyber infrastructure. The 21st Century Border initiative focuses on the border between the U.S. and Mexico and has similar initiatives underway and significant work is ongoing. Other topics to be addressed by the subcommittees include the future supply chain and supply chain resiliency. The ACAS pilot continues to expand and Mr. Phillips looks forward to continuing to provide input in that regard.

Mr. Chip Bown added more information regarding ACAS. It is a successful and effective program that has expanded beyond its former purview. Empirical examples and metrics have been applied to the new expansion.

Mr. Dan Baldwin also lauded the success of the ACAS program and thanked COAC members and other members of the air industry for their input and expertise. There is room for growth in regard to working with actual ACAS partners. However, given the program's success, future plans will include taking lessons learned from ACAS, converting that to a straw man proposal in order to move towards a Notice of Proposed Rule Making (NPRM) in a regulatory environment. There are some plans on extending the pilot program and possibly converting it to actual implementation of a regulatory framework. Regarding both Border initiatives, Mr. Baldwin commented on the success of the pilot programs, with particular attention to the Prince Rupert project.

Ms. Ana Hinojosa began a discussion of the Border initiatives and thanked COAC members for their input. Currently, there is collaboration with the Department of Homeland Security (DHS) to create specific pages on the DHS website. There are also plans to collaborate with COAC members who work with ACE, as well as the Trusted Trader Subcommittee, accomplishing the subcommittee's initiatives and programs. Ms. Hinojosa added that pre-inspection pilot programs are planned with both Canada and Mexico, and she praises these countries for their efforts towards modernizing their trade practices and thanked leaders within the CBP for their assistance. Ms. Hinojosa noted that on a recent trip to Mexico, Deputy Commissioner Aguilar was given the opportunity to be a guest at a public outreach meeting that the SAT Chief for the government of Mexico held with his stakeholders for his country. Roundtable discussions, also held during this trip, were informative and demonstrated progress in trade processes.

Review, Discuss Statement of Work and Next Steps regarding the Exports Subcommittee

Ms. Julie Ann Parks provided an update of the background of the subcommittee, which was formed after feedback and concerns from the Trade Community. Under the 12th COAC, the Exports agenda was set with an aspect of mutual recognition and enabling function, the C-TPAT for exporters, and the AES and Export Manifest Piece. On the November 19, 2012 COAC meeting, the subcommittee reported findings that included the need for increased distinction between exports and imports, security program harmonization, and facilitation issues with advanced data models. Ongoing dialogue continues to advance progress in points of opportunity, with special regard to the facilitation of advanced data modeling aspect. Ms. Parks added that there are also plans to map processes and define it by mode of transport and engage with various types of exporters and carriers, which will lead to making recommendations.

Co-Chair Boyce took this opportunity to wish both Ms. Parks and Mr. Iacopella a happy birthday.

Mr. Dan Baldwin addressed some common themes of the work of the subcommittee, which include partnership and to have a firm understanding of the process of exports. Understanding the facilitation problems of exports will allow for better understanding of policy directives, regulations, statutes, and resolutions.

Ms. Brenda Smith looks forward to working with the subcommittee on mapping and added that one of the primary foci is on exports and states that there will be increased activity in automation.

Public Comments

Co-Chair Boyce asked if there were comments from the public. A participant inquired on behalf of **Ms. Sandra Fallgatter**, the Customs and Trade Compliance Director of JCPenney, who asked Ms. Brenda Smith that since GCC will be required to be filed electronically to CBP, if this be in ACE or ABI required at time of entry similar to Lacey Act. **Ms. Smith** commented on increase in data sharing and stated that CBP will continue to work with CPSC and any other agencies with the mandatory requirements whether they can be regulatory or statutory to work with them to see how they can fit into the automated commercial environment.

A participant inquired on behalf of **Mr. Anthony Barone**, the Director of Global Logistics Policy from Pfizer if the OGAs participate in development of the One Government Roadmap. **Mr. John Leonard** replied that they did. **Deputy Commissioner Aguilar** followed up by stating that while the OGAs did play a part, there should also be recognition of the importance of moving forward collectively.

A participant inquired on behalf of **Ms. Michelle Forte** of Charter Brokerage, who asked what action will be taken in response to the request to rethink the Customs' definition of the term 'exporter' for purposes of drawback law and asked the committee to consider the original development of the current definition and to consult with CBP Trade Drawback Working Group in an effort to formulate any response.

Adjournment

Co-Chair Boyce thanked all for their comments. **Mr. Thomas Winkowski** welcomed the old and new members and thanked them for their time. He also took this opportunity to thank Deputy Commissioner Aguilar for his leadership. **Mr. Aguilar** stated that he appreciated his 35 year tenure and looks forward to a new leader to support the CBP. He noted the commitment of the members and their progress, and thanked all for the honor to serve.

Co-Chair Boyce adjourned the meeting at 3:35 p.m.