Beth Peterson
Enterprises, Inc.

Preparing for a C-TPAT Revalidation

Beth Peterson
President
BPE, Inc

Agenda

- Snapshot of C-TPAT.
- Impact of SAFE Port Act on C-TPAT.
- Strategies for revalidation.
- Achieving Tier-3 status.
- Benefits of C-TPAT.

International Trade Today

"Terrorist attacks have revolutionized the way we trade. International trade is no longer just about moving goods quickly and cheaply. In this age of global terrorism, there is a third element: it's about moving goods quickly, efficiently and securely."

Robert C. Bonner, April 2005

C-TPAT Definition

- A U.S. Customs and Border Protection (CBP) program.
- “A partnership with the trade community for securing global supply chains and facilitating legitimate cargo and conveyances.”

C-TPAT Minimum Security Criteria for Importers

I. Hardening of the Supply Chain
- Container Security
- Physical Security
- Physical Access Controls

II. Management Practices
- Personnel Security
- Procedural Security
- Information Technology Security
- Security Training and Threat Awareness

III. Business Partner Security

Stages of C-TPAT

- Non-member.
- Tier 1 – Completed supply chain security profile, entered it in the C-TPAT portal and been accepted into C-TPAT.
- Tier 2 – C-TPAT Certified and Validated.
- Tier 3 – C-TPAT Certified and Validated with acknowledgement of C-TPAT best practices.

C-TPAT Status – May 2007

- Over 12,000 participants have applied to date.
- Over 6,100 certified / 3,740 validated as of mid-December.
- Over 216 companies have achieved Tier III status.
- Over 200 companies have been suspended or revoked from the program.

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SAFE Port Act – October 2006

SAFE Ports Act

- Codifies timelines for certification and validations.
- Clears the way for 3rd party validations.
- Requires revalidations.
- Mandates C-TPAT benefits.

Timelines

- Certification must occur within 90 days of C-TPAT portal upload.
- Validate 1st time applicants within 1 year.
- Revalidations must occur every three years.
  - From the date of the previous foreign validation.

3rd Party Validations

- 1 Year Pilot.
- China is the “first country” to be piloted.
- 3rd party companies will be allowed to “validate” the in-country supply chain.
- CBP will not be present at in-country validation.
- Must have a fair and published fee schedule and be certified by CBP.

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Revalidation Preparation and Strategies

Revalidation Targets

- Revalidation will be based on risk.
  - 183 companies validated in 2003 + some from 2004.
  - Risk based approach.
    - Security related anomalies or incidents.
    - Strategic threat.
    - Import volume.
    - Country blitzes.
  - All Mexican highway carriers (<300).
  - Validations planned for Hungary, Czech Republic, Slovakia, Bulgaria.
- CBP expects to do 3,000 validations in 2007.

Revalidation Scope, Purpose & Objectives

- Scope:
  - View a C-TPAT partner's supply chain from a different foreign location.
    - Unless unique circumstances exist (e.g. 100% import from same location, previous supply chain incident, operational issue).
- Purpose:
  - Ensure safe and secure facilitation of cargo into the U.S.
  - Address concerns not mentioned during previous validations.
- Objectives & Principals – Remain the same:
  - Verify C-TPAT Partner's security practices, policies and procedures outlined in security profile.

Validation Principals

- Voluntary partnership.
- Sharing of information practice to secure the supply chain against terrorists and terrorist organizations.
- Discussion of partner's C-TPAT security profile.
- On-site review of the partner's C-TPAT supply chain profile.
- Opportunity to discuss security related issues and share "best practices."
- **Not an Audit.**

Foreign Validation

- CBP and C-TPAT point of contact (POC) will work together to arrange the logistics involved for the foreign site visit.
  - Strongly urged that C-TPAT POC or an individual who was in attendance at the original domestic validation attend the foreign site validation.
- Meeting with the foreign entities and their supply chain and security personnel.
- Validation will last 1-4 days.
- Close out meeting between Supply Chain Security Specialist (SCSS) and C-TPAT partner.

Steps to Do Prior to Revalidation

- Convene C-TPAT team meeting.
  - Recommend quarterly meetings.
- Review and update security profile.
- Suggest/discuss revalidation targets with CBP.
- Conduct assessment of targeted foreign site.
- Collect foreign site details.

Foreign Validation May Include Visits To:

- Foreign manufacturers.
- Transport companies.
- Consolidators/freight forwarders.
- Rail yards.
- Air/sea ports.

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Foreign Site Selection

Foreign Validation Points

- Geographic risk assessment.
- Previous incidents or anomalies (open source information).
- CBP risk assessments.
- Complexity of the supply chain logistics.
- Import activity/volume.
- C-TPAT partner's risk assessment.

Foreign Site Details

- Plant name, location and date founded.
- Business type.
- Days/hours of operation.
- Number of employees (regular employees + contractors).
- Built up Area, land area.
- Number and function of buildings.
- Percentage of goods exported to U.S.
- Supply chain and fleet overview.

Strategies for Foreign & Domestic Validations

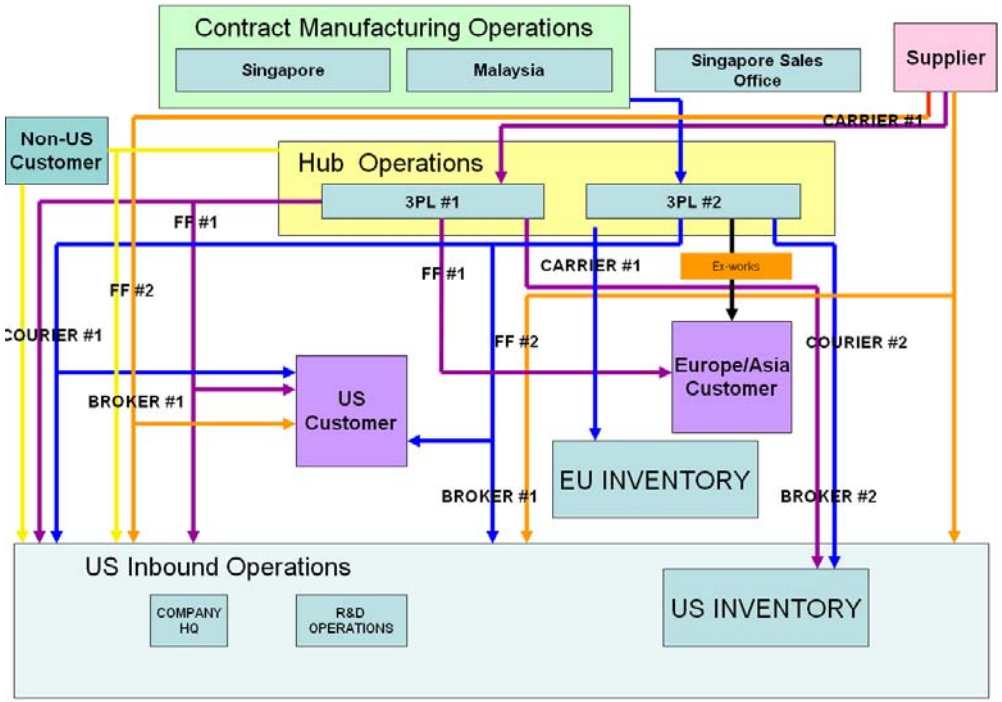
- Have your entire C-TPAT team present for both foreign and domestic validations.
- Include senior management.
- Include a site map identifying all cameras and guards.
- Present both minimum security criteria and best practices.

Agenda

- Welcome, Introductions and Agenda
- C-TPAT Presentation
- Profile of Company/Executive Summary
- C-TPAT Participation/Status/Response
- Foreign Site Tour and Discussions
- Security Profile Review
- Working Lunch
- Security Profile Review Continued
- Validation Feedback
- Next Steps – CBP

Present Your Risk Analysis

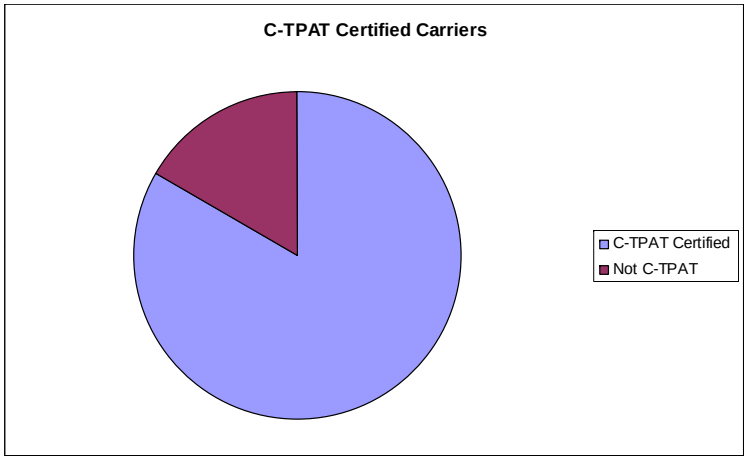
- Diagram your supply chain.
- Profile your suppliers.
- Establish risk levels.

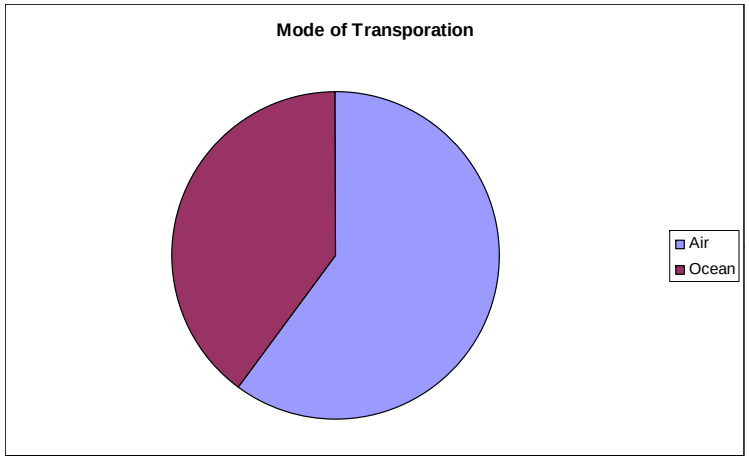


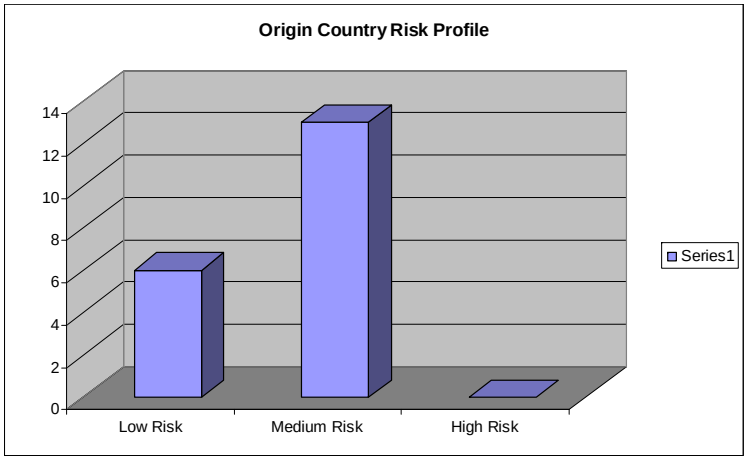
Supplier Profile – Analyze Business Risk

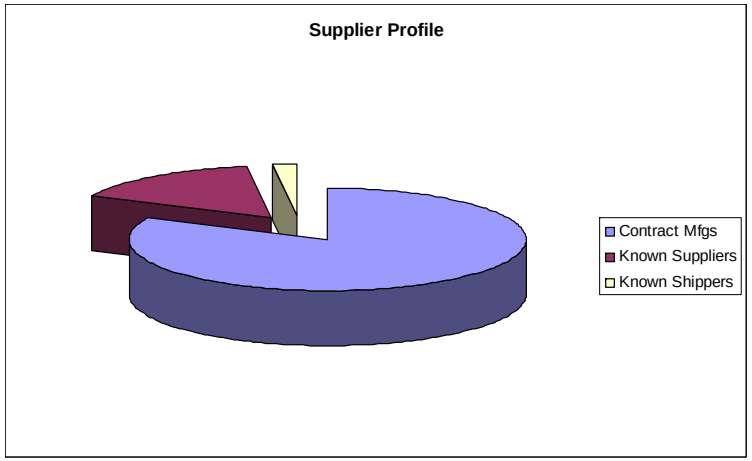
- Key premise – Risk based, flexible, and designed to help CBP achieve it's twin goals of security and facilitation.
  - Sophistication of current security controls.
  - Origin of cargo.
  - Current cargo loss figures.
  - International trade revenue/Percentage of international trade.
  - Current C-TPAT status.
  - Conveyance type.
  - Number of origins.
  - Related/non-related parties..
  - Cycle time
  - Commodity type.
  - Importer or freight forwarder.

Supplier Profile









Present Each Section of the Profile

- Foreign partner management and security teams, including credentials.
- Business partner profile – highlight C-TPAT carriers and service providers.
- Container/conveyance security.
- Physical security/access controls.
- Personnel security.
- Procedural security, training and threat awareness.
- Information technology security

Revalidation Critical Success Factors

- Reintroduce C-TPAT team.
  - Include names, titles, area of responsibility for every individual on the team.
  - Personally introduce those team members that are at the revalidation.
- Demonstrate how actual operations mirror security profile.
- Review areas for improvement.
- Highlight best practices.

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Achieving Tier-3 Status

Keys to Tier 3 Status

- Management Support
- Cross organizational team.
- Exceed the minimum security criteria.

Definition of a Best Practice

- Exceeds the minimum security criteria
- Incorporated into Partner's business process.
- Integrates people, process and technology.
- Incorporates checks, balances and accountability.
- Testing, Auditing, Reporting and Follow-Up (TARF).

Risk Analysis – Self Assessment

- Documents security plan and procedures.
- Prioritizes supply chain security issues.
- Identifies emerging security risks/threats and takes actions to minimize risk.
- Readdresses security as business operations and environment change.

Business Partner Best Practices

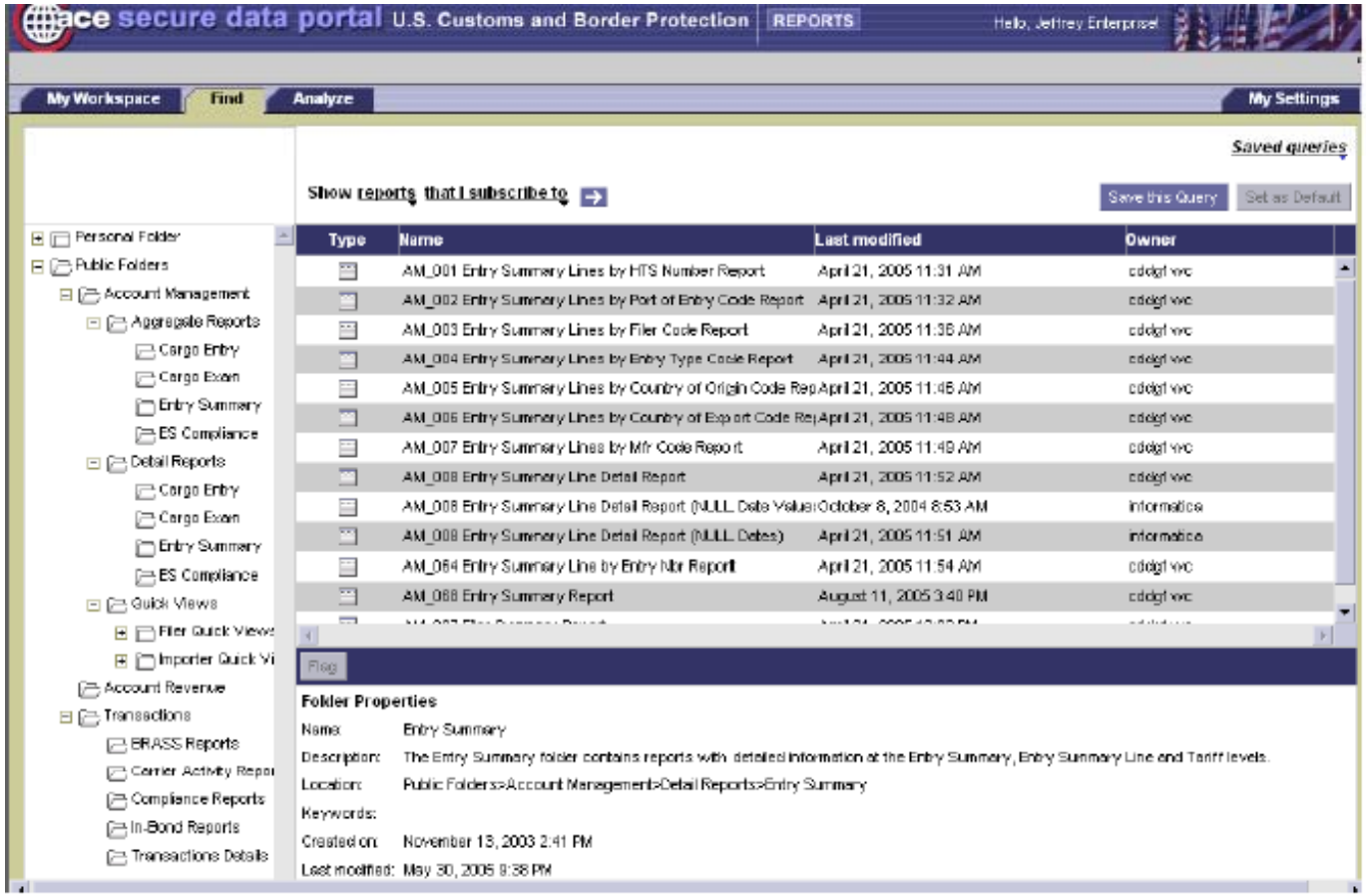
- Written procedures for supplier/vendor/service provider selection, include security requirements.
- Contractual requirements include security.
- Established code of conduct for business partners.
- Selection of business partners includes:
  - Internal collaboration.
  - Integrity/background screening.
- Random audits and site visits of business partner's premises.
  - QBR.
  - Self-assessments.

Data Best Practices

- Automated Commercial Environment (ACE).
- ATDI
- EDI
  - ASN's
  - PO's
- End-to-end visibility

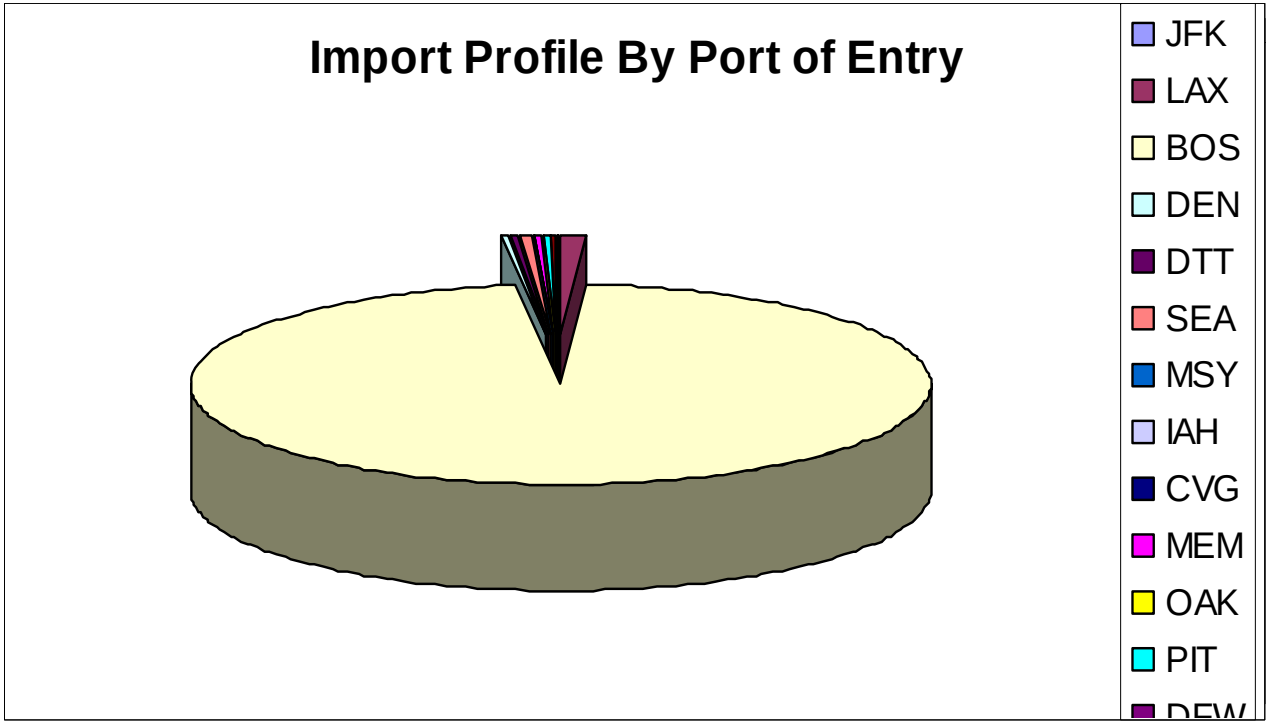
Tools Available Today

- ACE Secure Data Portal Reports



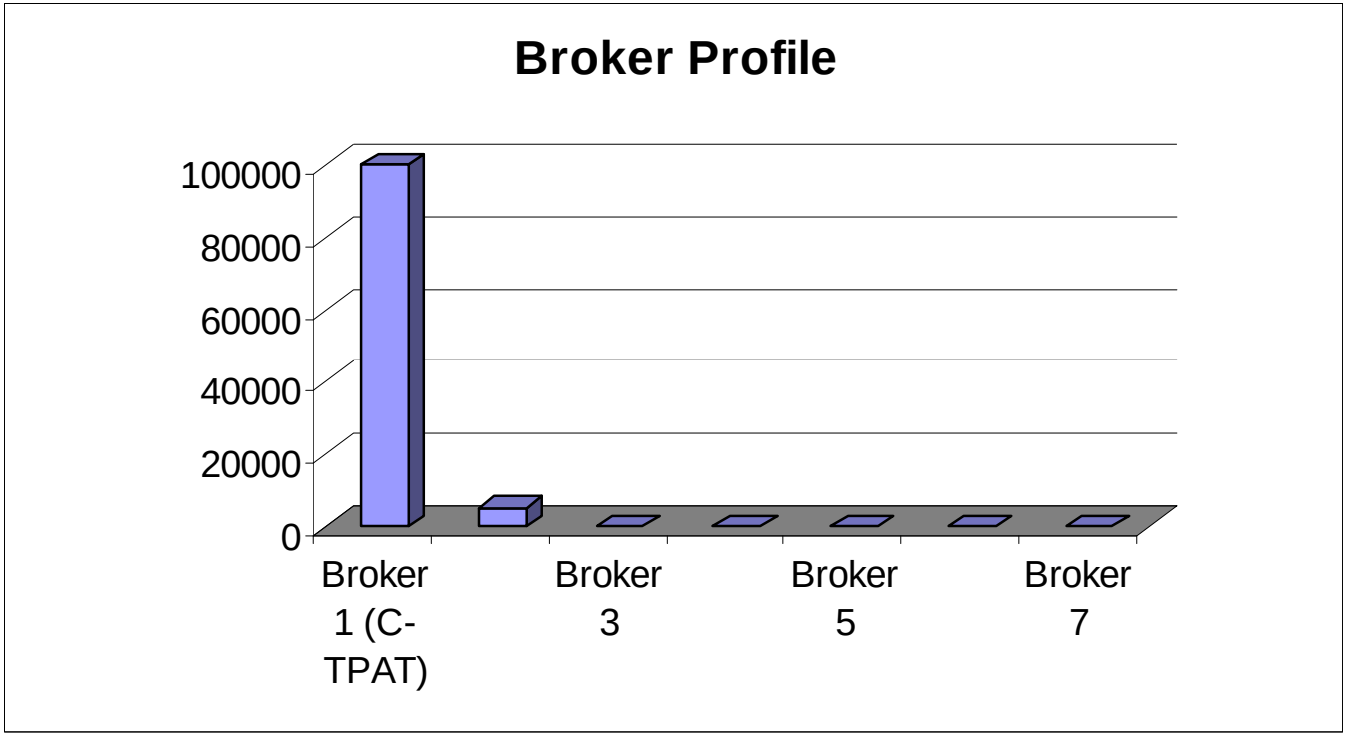
C-TPAT Risk Analysis

Port of Entry Profile Before and After ACE



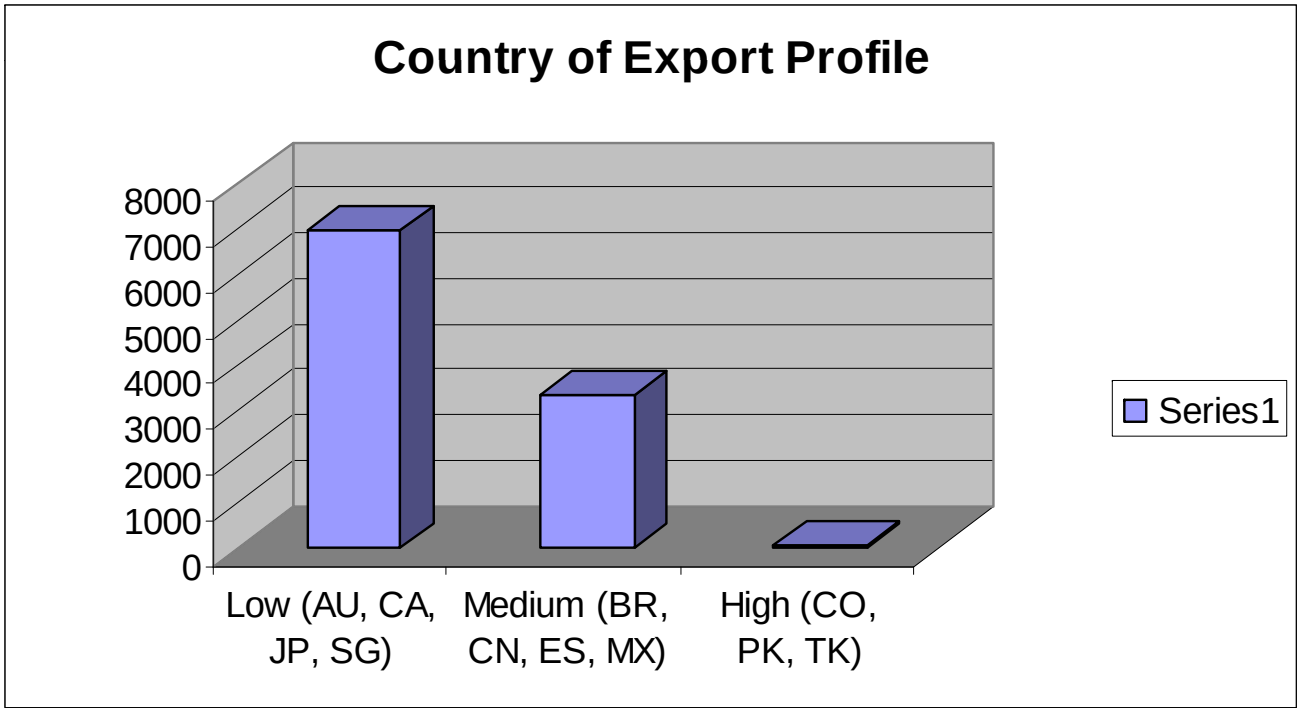
C-TPAT Risk Analysis

Broker Profile Before and After ACE



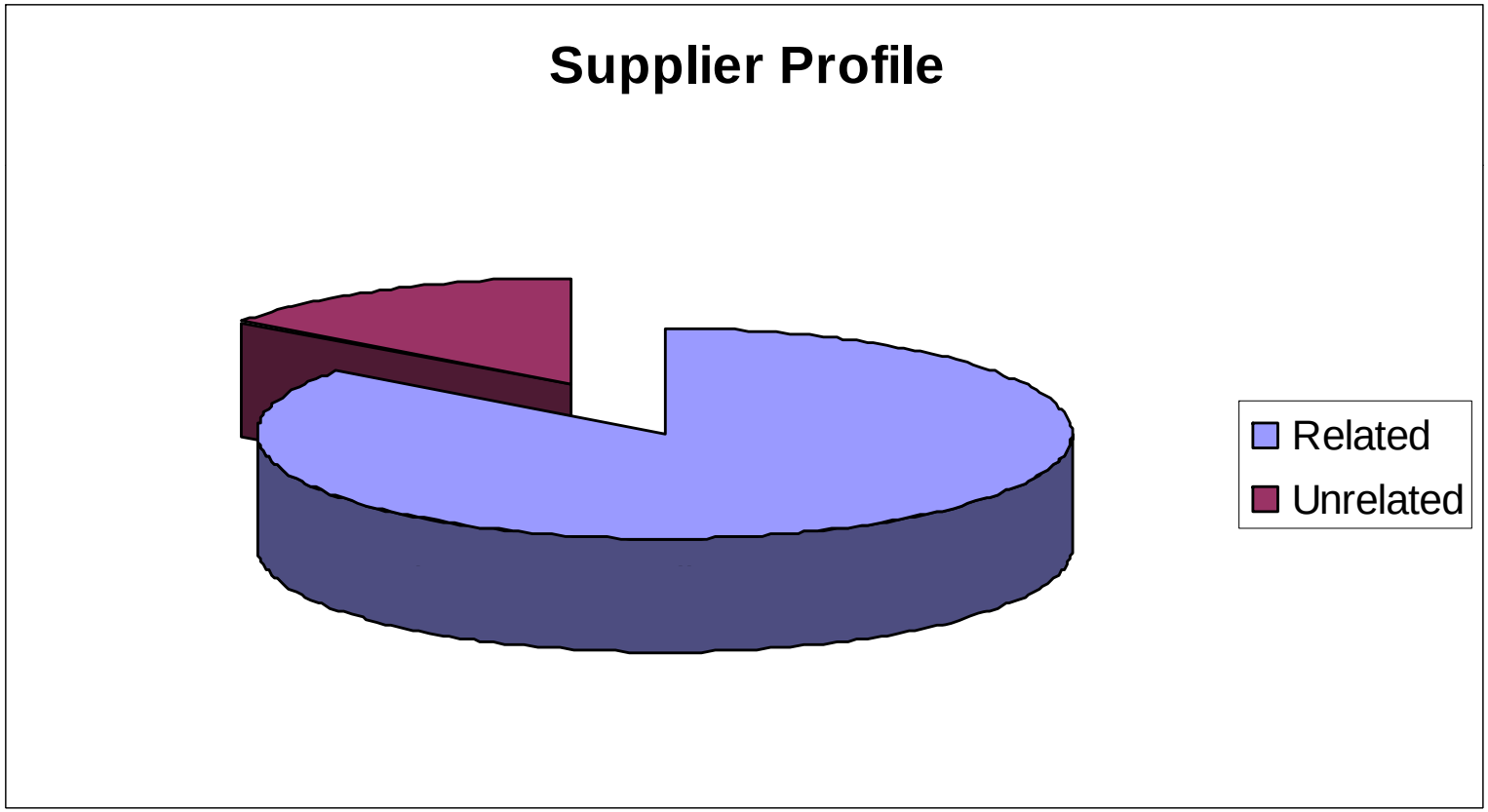
C-TPAT Risk Analysis

Country of Export Profile Before and After ACE



C-TPAT Risk Analysis

Supplier Profile Before and After ACE



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C-TPAT Benefits

Stated Benefits of C-TPAT

- Reduced inspections
- Expedited cargo processing (e.g., “Fast Lanes”)
- Trade Act penalty mitigation
- Advance Passenger Information System penalty mitigation
- CBP training seminars
- Best Practices catalog
- Tiered benefits
- Communications portal
- Eligibility for other CBP programs like Importer Self-Assessment (ISA)
- Competitive advantage (unstated benefit)

Security Savings

- Manufacturers
  - 48% reduction in cargo examinations and inspections.
  - 49% reduction in cargo delays.
  - 29% reduction in transit times.
  - 28% reduction in delivery time windows.
- Logistics Service Providers
  - 90% reduction in theft, tampering, pilferage and loss of freight.
  - 50% reduction in damages.
  - 75% reduction in inventory.

Stanford University Study for The Manufacturing Institute

In Closing

C-TPAT Reflections

- Firms must implement continuous improvement programs for their security initiatives.
- Improvements must go beyond the firm and extend throughout the supply chain.
- Governments must continually review and update security programs with the goal of enhancing both security and efficiency.
- Focus must be global.

Beth Peterson
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Thank You

Beth Peterson
President
BPE Global
415-845-8967
beth@bpeglobal.com