



Beth Peterson
Enterprises, Inc.



Organization of Women in International Trade
**Women's Trade Mission to
Monterrey, Mexico October 2008**

October 21-24, 2008



10+2 Readiness... It's strategic, not tactical

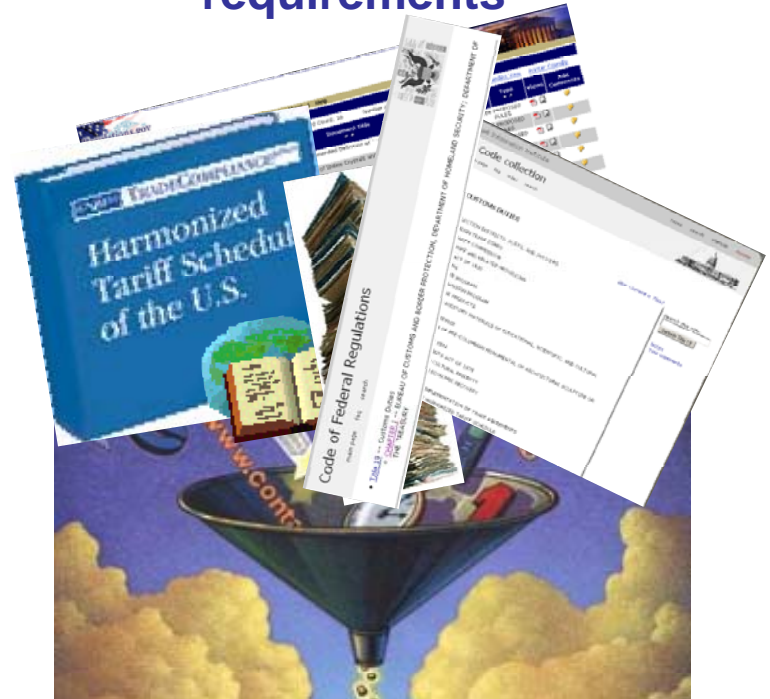
 **GLOBAL DATA MINING**

Agenda

10+2 Readiness... It's strategic, not tactical

- Introduction
- What Must be Done?
- History, Overview & Update
- Why is it important to you?
- It's Strategic, not Tactical
- 10+2 Readiness – the Data
- Create your strategy now!

Using Data and technology
to achieve new government
requirements



Introduction...



Automation Revolution

4. Advice: <http://www.bpeglobal.com/>



3. Applications: <http://www.iesltd.com/>



2. Data Solutions: GLOBAL DATA MINING

1. Content: CUSTOMSinfo

Introduction...

If you remember just one thing...



A screenshot of the Global Data Mining website. The header features the company logo (a globe with a stylized 'G') and the name "GLOBAL DATA MINING". A navigation menu on the right lists: Services, Pricing, Our Mission, Automation & Control, Executive Call-to-Action, Publications, Who We Serve, About Us, and Contact Us. The main content area is divided into three columns. The left column, titled "Education", contains a paragraph about the company's role in the global trade industry and a list of "Powerful Forces of Change": 1. Exponential Global Trade Growth, 2. Ever-increasing Government Regulation & Compliance Requirements, and 3. An Automation Revolution. The middle column, titled "Trade Papers", includes a "Newest Article - 10+2 Readiness... Beware! It's strategic, not tactical..." and a section for "Speaking Engagements" mentioning Matt Gersper. The right column, titled "Current Publications", lists several articles with titles like "Gender and Age Discrimination is costing US Importers Billions of Dollars" and "Data Mining Helps Financial Executives Measure Opportunity in Global Trade".

Please write this down:

Preparing your company for 10+2 readiness is strategic, not tactical... and you must convey this message to your company's leadership if you intend to be successful in preparing your company for 10+2 compliance...

Introduction...

There are three kinds of companies as it relates to 10+2 readiness:

1. Best-in-class

A very small minority of our clients have responded by funding a cross-functional team to study the issue and develop an enterprise-wide strategic solution to meet the new requirements and optimize global trade business processes while they are at it. These best-in-class companies are way ahead of the 10+2 curve.

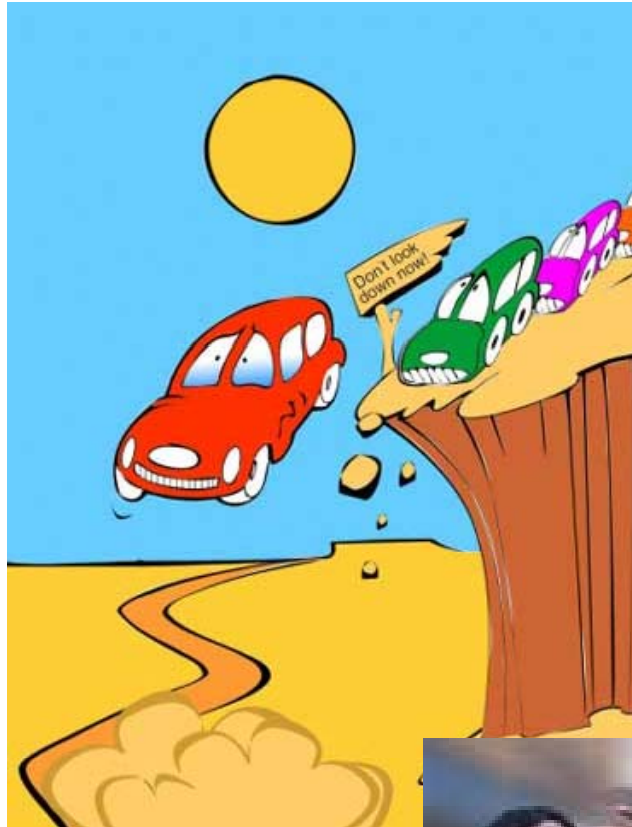


Introduction...

There are three kinds of companies as it relates to 10+2 readiness:

1. Best-in-class

2. The companies that are heading full speed for a cliff and are not even aware of it...
3. The companies that are heading full speed for a cliff and are at least aware of it...



The 1st group will suffer mightily when 10+2 goes into effect

The 2nd group has a chance to use this dramatic change in customs regulations to their business advantage...

It's critical that you get the 10+2 message to senior management and that they understand it and support an enterprise-wide strategy to prepare for it!!!

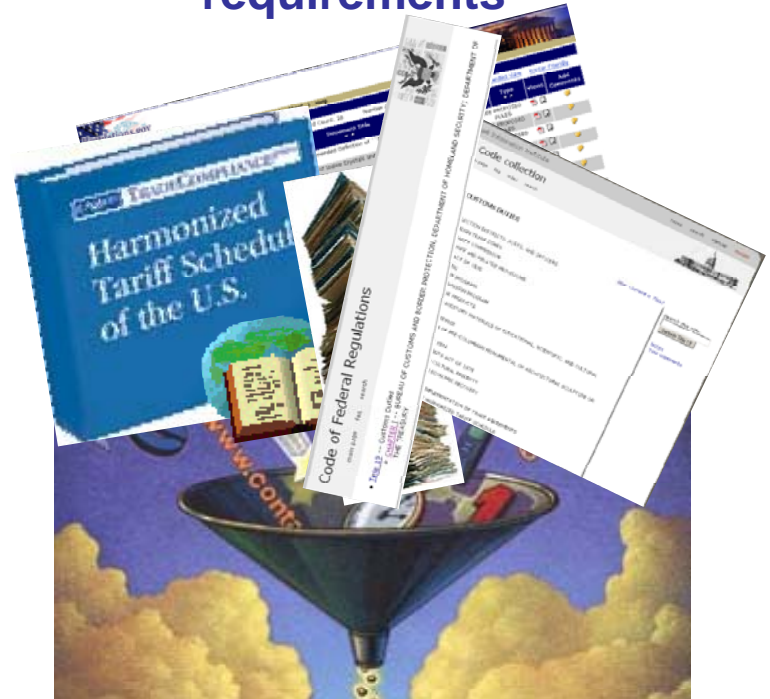


What Must Be Done...

Steps for 10+2 Readiness

1. Know the regulation
2. Identify a software solution
3. Determine enterprise-wide data requirements
4. Conduct enterprise-wide assessment
5. Build the business case

Using Data and technology
to achieve new government
requirements



10+2... History, Overview & Update

Organization of Women in International Trade
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- SAFE Port Act
- Importer Security Filing
- 10+2 – the known, the pretty sure and the unknown
- Trade Support Network efforts to date
- Data collection
- Other import legislation to take note of

October 2006 – SAFE Port Act

- § 203 of SAFE Port Act of 2006
 - Authorization to expand the Container Security Initiative (CSI).
 - Strengthen physical security measures at US ports through the use of technology.
 - Establishes container minimum security requirements.
 - Codification of C-TPAT.
 - Requires CBP to utilize 3rd Party C-TPAT Validators.
 - Opens C-TPAT up to multiple parties (e.g. 3PLs).
 - Transportation Worker Identification Credential (TWIC)
 - Requires the development of a trade resumption plan.
 - Requires 100% cargo scanning.
 - Improves the Automated Targeting System (ATS) = 10+2.

Importer Security Filing... known as 10+2

- For maritime cargo that is destined to remain in the U.S. the data elements listed on the next slide will be required to be transmitted 24 hours prior to loading the U.S. bound vessel.
- This Security Filing will be required to be transmitted by the importer or its designated agent.
- Forward looking importers will design systems for providing this data to their US Customs Brokers to pre-populate entry data.

10+2... History, Overview & Update

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Importer Security Filing

It's Really Not 10+2

Importer Requirements 10 Data Elements

1. Manufacturer name and address
2. Seller name and address
3. Container stuffing location
4. Consolidator (stuffer) name and address
5. Buyer name and address
6. Ship to name and address
7. Importer of record number
8. Consignee number
9. Country of origin of goods
10. Commodity HTS number (6 digit)

Carrier Requirements 2 Data Sets

1. Vessel stow plan
2. Container status messages

- ✚ Bill of Lading
- ✚ Filer Code
- ✚ Filing Number
- ✚ Bond

10+2... History, Overview & Update

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How is the ISF Different Than a Customs Entry?

Importer Requirements 10 Data Elements

1. Manufacturer name and address
2. Seller name and address
3. Container stuffing location
4. Consolidator (stuffer) name and address
5. Buyer name and address
6. Ship to name and address
7. Importer of record number
8. Consignee number
9. Country of origin of goods
10. Commodity HTS number

Manufacturer info is often not known and is viewed as confidential by seller

Available in a typical P.O.

Not recorded in current entry documents

Available in a typical P.O.

Could vary depending on the transaction type (e.g. FOB vs. DDP)

Manufacturer information, product genealogy is often difficult to trace accurately

Often missing or incorrect when P.O.s are written; typically manually corrected by Broker at the time of entry filing

ISF Realities

- Filing must occur 24 hours in advance of lading.
- Importer of Record is responsible for filing.
 - Can appoint agent (such as customs broker) to perform filing on its behalf.
 - CBP will not regulate who is authorized.
 - Not all service providers plan on offering filing service.
- Data elements will be filed through ABI or AMS, and eventually ACE.
- Penalties are equal to the value of the merchandise.
- Surety bond required for the ISF.

CBP “Prototype” - ATDI

- Advance Trade Data Initiative “ATDI”
 - Focus is on “natural aggregation points to leverage in-place business models” and require minimal system programming.
 - No special data format required.
 - CBP is simply an “additional recipient for data already being passed among parties (minimize burden).”
 - Data can be provided post departure

CBP “Prototype” – Secure Freight Initiative

- Limited number of companies participating.
- Majority are providing data post lading or post departure and data is from multiple sources.
- Many are large companies who have an IT department and funds to support participation.
- Data is a one-way feed to CBP.
- Data provider does not receive any messages from CBP.

10+2... History, Overview & Update

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Hot off the Press

II

Source: American Shipper - California Pacific Connection
Date Posted: 9/24/2008 1:46:07 PM

CBP seeks recruits for 10+2 system test

U.S. Customs and Border Protection officials are urging importers and their agents to participate in an ongoing test of IT systems in preparation for a new cargo security rulemaking that will require businesses to submit a huge amount of data about their overseas suppliers and domestic customers.

The agency has developed a rule for an Importer Security Filing, commonly referred to as "10+2," to be transmitted 24 hours prior to vessel loading at an overseas port. The controversial rule will require importers or their agents to electronically submit 10 data categories of data about their manufacturers, logistics providers, customers and cargo, and liner carriers to submit stow plans and status messages for containers in their custody.

Deputy Commissioner Jayson Ahern told reporters Monday the long-anticipated final rulemaking under review by the Office of Management and Budget could be issued in the coming days or weeks, "but I don't think it's going to be many weeks."

In an address to the National Customs Brokers and Forwarders Association of America's mid-year conference in Washington, Ahern said the agency has received more than 55,000 proxy filings from volunteers participating in the Advance Trade Data Initiative, an 18-month test bed involving about 100 companies designed to figure out optimal formats and transmission methods for filing the required data.

The number of unofficial filings has grown from about 50,000 at the beginning of August. CBP is accepting the data feeds in the importer's



Ahern

10+2 – The Known, The Pretty Sure and The Unknown

The Known

- Ocean only.
- RO/RO and Break-Bulk are exempted from a timing perspective.
- Bulk is exempted.
- There are several “importers”
 - IE, TE = 7512 Filer
 - FTZ = 214 Filer
 - Customs entry = Importer
 - IT = Importer
- Amendments are required up until arrival.

10+2... History, Overview & Update

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The Known

- There have been revisions to the technical data.
- There will be an ISF confirmation.
- There will be an ISF accepted with errors message.
- ACE M1 will include 10+2.
- File at the lowest B/L level (Master or House).
- Phased in enforcements.
- Transaction sets are at:
 - http://www.cbp.gov/xp/cgov/trade/automated/automated_systems/sf_transaction_sets/

10+2... History, Overview & Update

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Pretty Sure Of

- Final Rule should be out before October 31.
- 60-90 day implementation period.
- DUNS number is being considered as a unique ID.

The Unknown

- Status of request for Pilot and/or Prototype.
- What the cut-off for amendments will be.
- Requirements for the importer's bond.
- If there will be any account level processing.
- What the enforcement phase in period will be.
- If CBP will publish answers to all the questions that have been submitted.
- CBP may be looking at issuing "Do not Load" messages for ISF.

TSN Activities

- March 10, 2008: Comments on ISF NPRM from consensus of trade committee representatives was submitted to CBP.
- July 22, 2008: Questions on technical data requirements published by CBP were created and discussed with CBP by small group of committee representatives. CBP requested that discussion notes were not published.
- August 2008 – Committee technical data questions were discussed by the COAC and submitted via the CBP website address.

10+2... History, Overview & Update

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TSN Commitment

- To partner with CBP in the technical implementation of the ISF.
- To communicate as clearly and often as possible regarding the technical requirements.
- To represent all members of the trade community.

10+2... History, Overview & Update

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Data Collection: A Cross-Functional Approach

Gathering Data at Origin

- Supplier contact
- Collecting, validating
- Leverage technology for efficiency

Origin 3PL

Organizing Data Centrally

- Multiple origin 3PLs
- Connecting the dots
- Process: timing of collection, filing

Technology

Filing and Managing Adjustments

- Trust - Broker
- Under bond
- Leverage security filing data for entry filing

Customs Broker

Data Collection: What Shipments Will Be Issues

- DDP and DDU shipments.
- Prototypes and R&D materials.
- Returned materials and US goods returned.
- Manifest discrepancy ("incorrect goods").
- Trade shows.
- Vendor managed inventory shipments.
- Shipment ownership transferred in transit.
- Supplier consolidation shipments (multiple suppliers, single manufacturer).

Other Factors to Consider

- Can Automated Commercial System (ACS) support the additional transaction volume?
- Carriers may not want to become storage facilities, may require proof of filing prior to acceptance of freight.
- Creates new security threats by greatly increasing the opportunity for containers to be tampered with while sitting for an additional days.

Bond Requirements

- ISF bond requirements liabilities on the importer prior to entry.
- Liability attaches based on conditions that are beyond the importer's control.
- Affords CBP a general license to impose liquidated damages for even minor and technical infractions.
- It bestows upon CBP officials virtually unfettered discretion because the ability to penalize importers.

10+2... History, Overview & Update

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Worldwide Security Programs

Country	Program Name
WCO	SAFE Framework of Standards (SAFE)
US	Customs Trade Partnership Against Terrorism (C-TPAT)
CA	Modernized Partners in Protection (PIP)
JP	Authorized Economic Operator (AEO)
NZ	Secure Exports Scheme
AU	Authorized Economic Operator (AEO)
SG	Secure Trade Partnership (STP)
EU (27)	Authorized Economic Operator (AEO)
SE	Stair Sec Programme (SSP)
Jordan	Golden List
MX	Alliance for Secure Commerce

Why is it Important to You?

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1.

The purpose of the advance security filing requirement is to improve CBP's risk assessment and targeting capabilities to help prevent terrorist weapons from entering the U.S.

SECURITY

2.

What is 10+2 Going to Cost Us?



Kudos to Jennifer Baxter, Gail Coad and Christopher Chan at [Industrial Economics](#) for digging deep to research what 10+2 is going to cost SMEs. They were retained last year by CBP to do an economic impact analysis of 10+2. On [Mike Laden's](#) recommendation, we had a lively,

in-depth discussion today as they further researched how 10+2 might impact SMEs. It breaks down into these categories of cost: IT, research, changes in terms of sale, transmitting the security filing. And these costs depend upon the complexity of the supply chain, the level of automation, business style, degree of business process change and the costs charged by the broker or ABI service provider. I'll be putting all this information together into a presentation for the [American Association of Importers and Exporters](#) on June 3. Look for my upcoming SME importer survey results and the subsequent detailed analysis on the [Trade Bridge](#) web site as well.

The Office of Management and Budget (OMB) has determined that the rule will cost industry from \$390 million to \$630 million per year.

COST

The Trade Bridge Blog

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Potential Costs of 10+2

- Delayed Shipments
 - No load messages.
 - Non-compliance = no unloading at destination.
 - Additional inspections.
 - Carrier schedule and capacity issues.
 - Liquidated damages equal to value of merchandise involved.
 - Extra inventory.
 - Storage.
 - Costs of rerouting shipments, including shipments that now transit the U.S.
 - Premium freight charges.

Why is it Important to You?

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Potential Costs of 10+2

- Extra Fees
 - Predicted waiting time charges at container yards (estimated at \$40 per hour per container).
 - Costs to secure containerized cargo.
 - Collection fees.
 - Filing fees.
 - U.S. Customs bond.
 - Connection charges, etc.
- New Technology

Calculating Inventory Carrying Cost

- A study by the Department of Economics at Purdue University:
 - Each extra day adds 0.8% ad valorem to the cost of goods.
 - Each additional day in ocean transit reduces the probability that a country will export to the U.S. by 1% for all goods and 1.5% for manufactured goods.
- Adding a single day to transit can only be offset by alteration of up to a full week's inventory planning.

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1.

The purpose of the advance security filing requirement is to improve CBP's risk assessment and targeting capabilities to help prevent terrorist weapons from entering the U.S.

SECURITY

Collateral Benefits:

Done properly... Optimizing business processes to meet these requirements in the most direct, effective manner possible can improve supply chain velocity and create competitive advantage!!!



COST

3.

"If the principal fails to comply with the proposed Importer Security Filing requirements, the principal and surety (jointly and severally) would pay liquidated damages equal to the value of the merchandise involved in the default".

FINES/ STOPS

Profits Eliminated!!

It's Strategic, not Tactical

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It's a change in the corporate business processes... and it's beyond the scope of the trade compliance professional...

1. The PO system and the Vendor Master File
2. The selection of the forwarder based on geographic region
3. Creating a parts master file complete with fully qualified Commodity HTSUS numbers assigned to each item, automatically integrated into the filing software selected to file the Importer Security Filing.

10+2 Readiness... Beware! It's strategic, not tactical...
By Matt Gersper

Request by email:

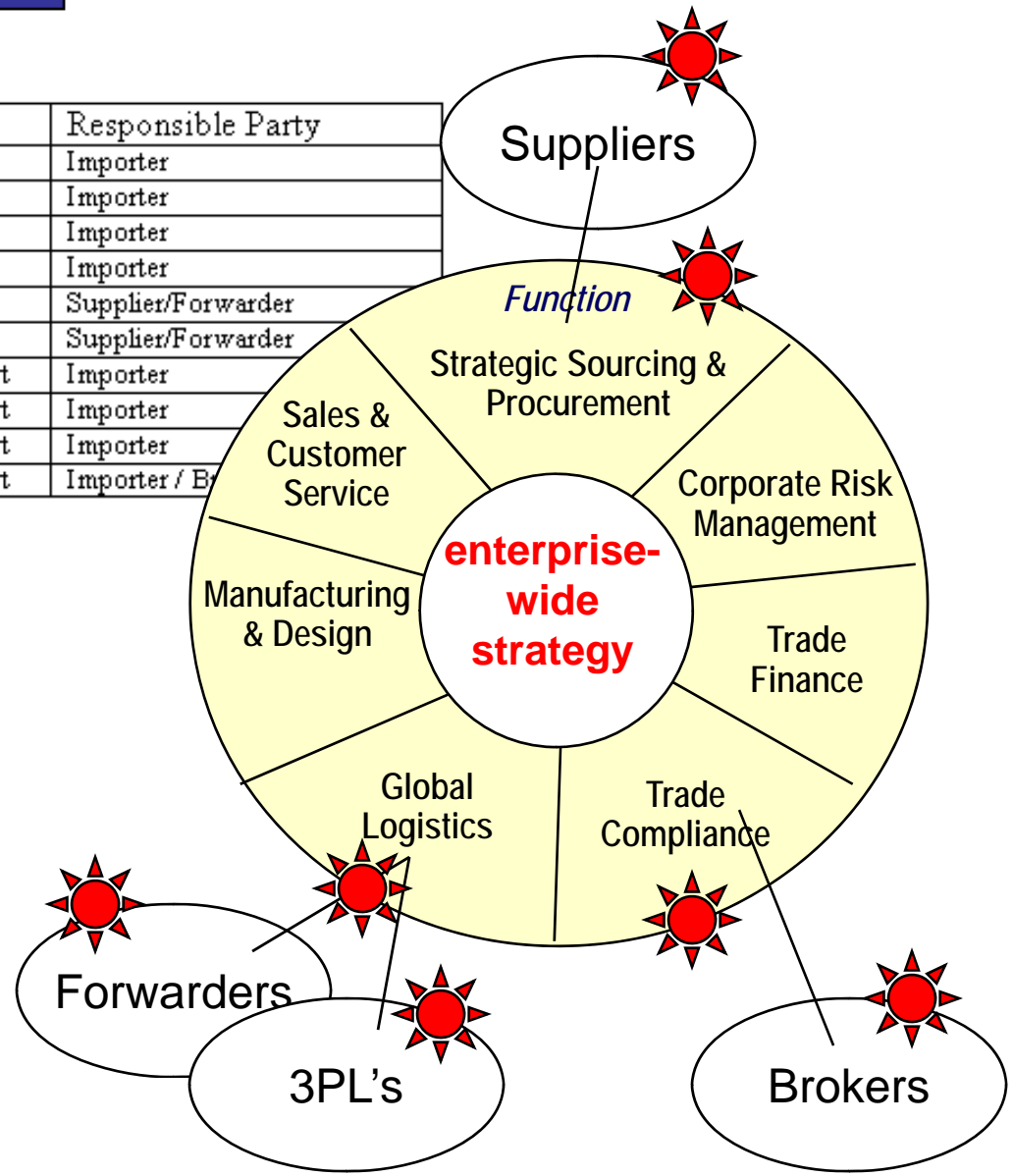
mattgersper@gdmlc.com

It's Strategic, not Tactical

Collaboration and Coordination

Data Element	Source	Responsible Party
Manufacturer name and address	Procurement/Sourcing	Importer
Seller name and address	Procurement/Sourcing	Importer
Buyer name and address	Procurement/Sourcing	Importer
Ship to name and address	Procurement/Sourcing	Importer
Container stuffing location	Supplier/Forwarder	Supplier/Forwarder
Consolidator (stuffer) name and address	Supplier/Forwarder	Supplier/Forwarder
Importer of record number	Trade Compliance/ Import	Importer
Consignee number(s)	Trade Compliance/ Import	Importer
Country of origin	Trade Compliance/ Import	Importer
Commodity HTSUS number	Trade Compliance/ Import	Importer / Broker

An effective solution to meet the very complicated 10+2 requirements will require a cross-functional, coordinated efforts including 3rd parties



It's Strategic, not Tactical

Current Process

An effective solution to meet the very complicated 10+2 requirements will require a business process re-design

Data NOT currently required for entry

- | | |
|----------------------------|--------|
| 1) Manufacturer Info | 1) MID |
| 2) Seller Info | 2) MID |
| 3) Container Stuffing Info | |
| 4) Consolidator Info | |

Importers



Suppliers



Forwarders



Carriers



Brokers



Create PO

Create commercial invoice

Manage logistics of shipment

Deliver the shipment

Create entry document at the end of the supply chain...

- | |
|----------------------|
| 1) MID |
| 5) Buyer Info |
| 6) Ship To Info |
| 7) IOR Number |
| 8) Consignee Number |
| 9) Country of Origin |
| 10) HTS Codes |

It's Strategic, not Tactical

Business Process re-design

Future Process

Importers



Suppliers



Forwarders



Carriers



Brokers



Create PO

Create commercial invoice

Manage logistics of shipment

Deliver the shipment

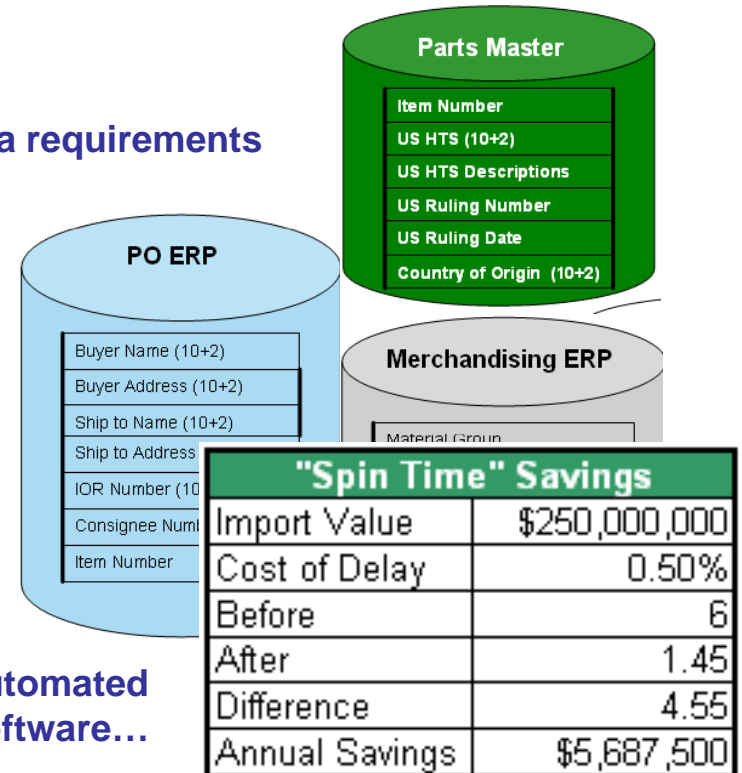
Automation of entry document
at the end of the supply chain...

1. Build out the new data requirements

2. Automatically link new data

3. Capture stuffing & consolidator info...

4. Report thru automated security filing software...



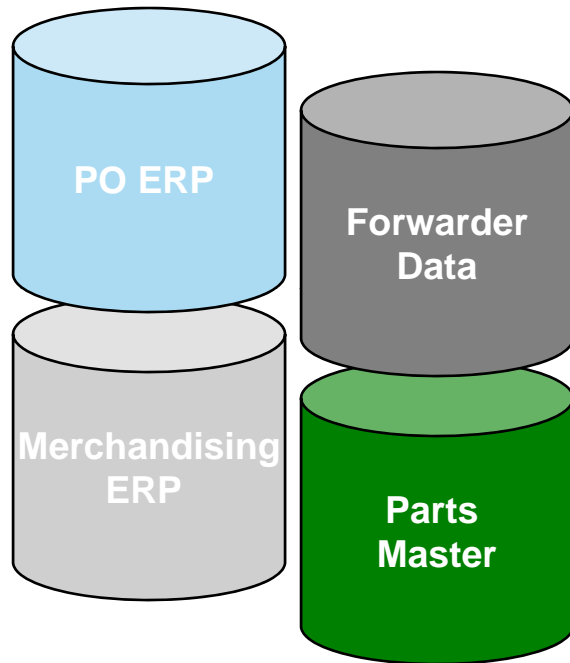
CBP is asking for a lot more info... a lot sooner in the supply chain

Done properly... This process will essentially create all the data for the entry in advance and improve supply chain velocity



It's Strategic, not Tactical

Data Strategy



1. What data is required?
2. What data currently exists?
3. Who “owns” the different data elements?
4. Where does the data reside today?
5. In what format?
6. Where should the data reside for the future solution?
7. How will it be validated?
8. How will it be integrated?
9. How will it be updated?



It's Strategic, not Tactical

Collaborative Assessment

- Assemble the team
- Recommend targeted strategies to achieve 10+2 objectives
- Identify required Resources
 - Internal
 - External
- Quantify Costs
- Quantify Opportunities
- Prepare ROI

Client's project leader
Department heads
3rd party partners

- data solutions
- applications
- forwarder/broker

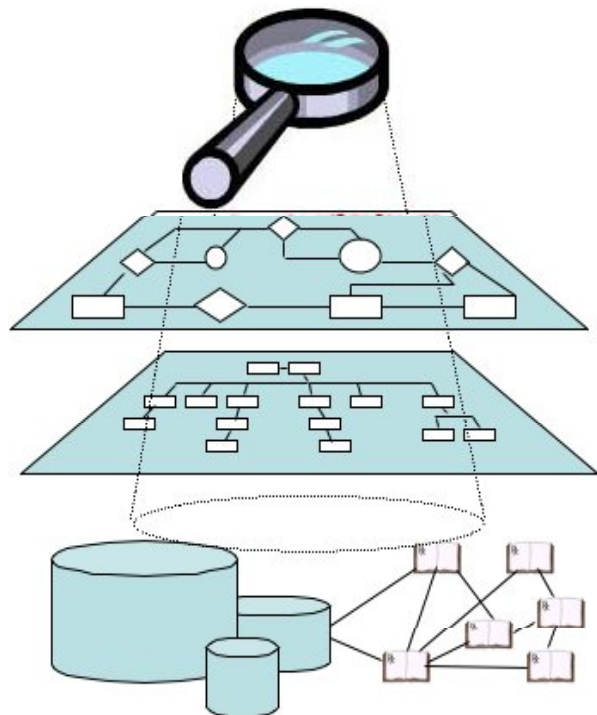


It's Strategic, not Tactical

Project Strategy

Create a plan to meet the
10+2 requirements in the
most direct, effective manner
possible...

Visibility...
Measurability...
Control...



Client's project leader
Department heads
3rd party partners

- data solutions
- applications
- forwarder/broker

Applications

Data Services

Content



It's Strategic, not Tactical

Project Strategy



Executive presentation



It's critical that you get the 10+2 message to senior management and that they understand it and support an enterprise-wide strategy to prepare for it!!!



- Prepare and deliver an executive presentation ...
- With an ROI analysis for recommended projects...
- Define opportunities identified...
- Define baseline and expectations of improvement.

10 + 2 Readiness

Create your own strategy now!!

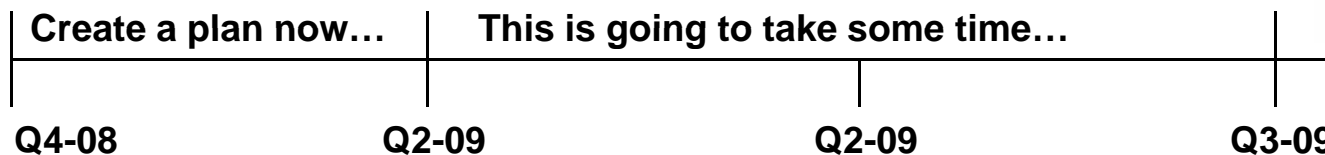
Avoid Delays

Improve Compliance

Create a 10+2 Readiness Strategy now... This is a very complex challenge for importers...

You can provide leadership... create an enterprise-wide solution... and save your company lots of money by creating a plan to meet the 10+2 requirements in the most direct, effective manner possible.

Reduce Expenses



10 + 2 Readiness

Create your own strategy now!!

Avoid Delays

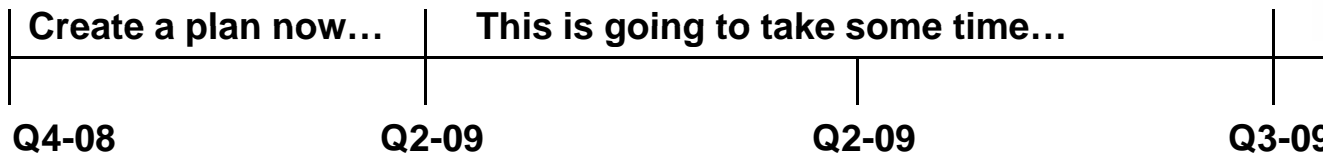
Improve Compliance

Collateral Benefits... Additional trade data can:

1. Improve supply chain planning
2. Improved supply chain speed
3. Reduced inventory requirements
4. Improved visibility and controls
5. Competitive advantage



Reduce Expenses



10 + 2 Readiness

Create your own strategy now!!

Avoid Delays

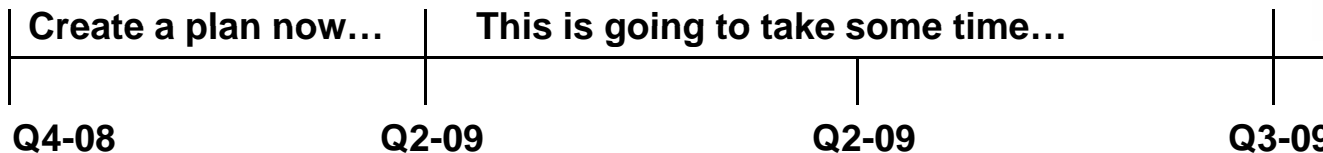
Improve Compliance

Steps for 10+2 Readiness

- Know the Regulation
- Identify a Software Solution
- Determine enterprise-wide data requirements
- Conduct enterprise-wide assessment
- Build the business case



Reduce Expenses



Educational Sources

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Federal Register / Vol. 73, No. 1 / Wednesday, January 2, 2008 / Proposed Rules

<http://edocket.access.gpo.gov/2008/pdf/E7-25306.pdf>

Federal Register: February 1, 2008

<http://a257.g.akamaitech.net/7/257/2422/01jan20081800/edocket.access.gpo.gov/2008/E8-1864.htm>

CBP Issues Proposed Rule Requiring Additional Cargo Information

http://www.cbp.gov/xp/cgov/newsroom/news_releases/archives/2008_news_releases/jan_2008/01022008.xml



10 + 2 Becoming a Reality - Get Prepared

10 + 2 is bearing down on us. The rule is now a Notice of Proposed Rule Making (NPRM) and in less than 60 days it is likely to be inevitable. For information on how to prepare your company for this change see [Customs web site](#), the [American Association of Exporters and Importers Alert](#), [Trade Innovations' write-up](#), and any of the [Trade Bridge International FAQs on 10+2](#): [October 18th, 2007 webinar](#), [June 7th, 2008 webinar](#). If you are considering direct-filing of your customs entries with [TRG Direct](#) you may automatically be prepared to comply with this new security rule. [Contact the direct-filing experts](#) for details.

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Final Thoughts

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- Answers regarding implementation will come from a “real” prototype that covers the full range of companies involved in the supply chain.
- Final Rule is with DHS now – you still have time to let Congress know how this will impact you:
 - Cost
 - Prototype
 - Bond
 - Penalties
 - Etc...



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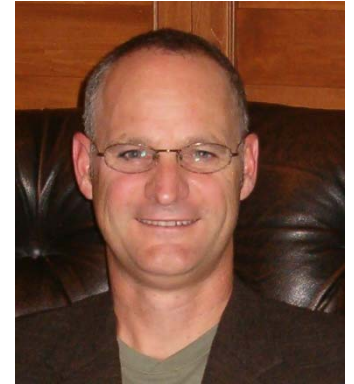
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10+2 Readiness...
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Questions?





About BPE

- BPE Global
 - Global trade consulting for import, export and security.
 - Online training courses.
- Experience
 - Over 21 years in global logistics, supply chain and compliance.
 - Service Provider, licensed customs broker.
 - Industry, US import operations.
 - Technology, product strategy and marketing.
 - Volunteer, government and trade association.

About GDM

- Enterprise-wide trade data solutions required to automate and control global trade processes for companies of all sizes
- Trade Data Solutions
 - Research solutions including world-wide classifications
 - Global Trade Desktop™- web-based global classification system
 - Technical Solutions including database design
 - Xtreme Trade Intelligence™- the most comprehensive global trade analytics available
 - Visibility & Control Solutions™- executive consulting