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Modernization, Facilitation, and Enforcement”

Mr. Chairman, Ranking Member McDermott, and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the Treasury Department’s responsibilities for customs revenue functions and the International Trade Data System (ITDS).

Treasury Responsibility for Customs Revenue Functions

As the Committee is aware, the Secretary of the Treasury has authority for “customs revenue functions,” as defined by the Homeland Security Act of 2002. This includes not only revenue collection, but also the regulation of international trade for certain economic purposes, which has an important effect on our economy and on promoting global growth.

The Treasury Department has delegated authority for enforcing the laws involving customs revenue functions to the Department of Homeland Security (DHS), but has retained sole authority to approve customs regulations involving import quotas, trade bans, user fees, origin, copyright and trademark enforcement, duty assessment, classification, valuation, preferential trade programs, and recordkeeping requirements. .

The Treasury Department also reviews Customs and Border Protection (CBP) rulings involving these issues when those rulings are to effect a change in practice. In addition, the Treasury Department shares the chair of the Commercial Operations Advisory Committee (COAC) with CBP.

As part of the Treasury Department’s responsibility for customs revenue functions, we have worked closely with DHS and CBP over the past year on particular areas of concern to this Committee. For example, Treasury and DHS have recently published a proposed regulation that would reform the “in-bond” and transit processes. This reform would enhance revenue collections and help limit evasion of antidumping laws and should also promote security by providing both more information about and better control over in-bond and transit shipments. Other areas where we have recently worked closely with CBP and other agencies include implementation of free trade agreements and protection of intellectual property.

International Trade Data System (ITDS)

The focus of my remarks today, however, is another area where the Treasury Department has worked closely with CBP as well as many other agencies, the International Trade Data System (ITDS).

The ITDS project is an interagency effort to build an electronic “single-window” system for reporting imports and exports to the government. Currently, importers or exporters must make multiple reports to multiple agencies. The goal for the ITDS Program is to eliminate redundant reporting, replacing multiple filings with a single electronic filing. Relevant data will be distributed electronically to the appropriate agencies, providing agencies with the ability to process that data electronically.

ITDS will allow agencies to obtain data more quickly, process cargo more expeditiously, and identify unsafe, dangerous, or prohibited shipments. Moreover, ITDS will reduce costs for business and government by eliminating redundant reporting of data, thereby facilitating trade.

The SAFE Port Act (P.L. 109-347, October 13, 2006) formally established ITDS and gave the Secretary of the Treasury the responsibility to coordinate interagency participation in ITDS in consultation with an interagency committee consisting of the agencies participating in ITDS and the Office of Management and Budget (OMB). The SAFE Port Act also requires all “agencies that require documentation for clearing or licensing the importation and exportation of cargo” to participate in ITDS.

Forty-seven agencies, including CBP, are working together to implement ITDS. Pursuant to section 405 of the SAFE Port Act, Treasury chairs the interagency coordinating committee, the ITDS Board of Directors. CBP as the nation’s face at the border, plays a leading role, and has the responsibility of building ITDS functions into the Automated Commercial Environment (ACE), CBP’s new trade processing system.

Status of Implementation of ITDS

Some ITDS functions are partly operational. For several years, ITDS agencies have been able to obtain import data that CBP already collects electronically. Some of these agencies have successfully used that data to interdict shipments and also to eliminate paperwork requirements. A recent example of interagency cooperation is the Coast Guard (USCG) pilot of manifest functionality in Charleston, South Carolina. The USCG used information received through ACE to place and remove restrictions on the processing and clearing of bills of lading, containers, and vessels.

Recent Progress on ITDS for Imports

Two years ago, the ITDS Board of Directors recommended three concrete measures to advance the ITDS program.

First, the Board recommended that CBP immediately add data elements required by other agencies to the major import reporting messages (manifest, entry, entry summary), so traders would be able to provide data for other ITDS agencies through ABI (Automated Broker Interface – the data intake module for both ACE and the Automated Commercial System (ACS), the CBP trade processing system that is being phased out).

Second, the Board recommended that CBP develop the capability to accept transmission of “images” (such as .pdf files) of forms which currently must be submitted on paper. Such imaged forms could be transmitted as “attachments” to filings with CBP and then forwarded to the relevant agencies.

Third, the Board recommended that CBP make decisions related to technical interoperability with other agencies’ systems, in order to allow other agencies to make plans for investing in automated systems to work with CBP systems.

The past 12 months have seen significant progress toward implementing these three goals:

- **Collect ITDS Data Electronically:** CBP has built the capability to collect data elements required by other agencies through a **“PGA (Participating Government Agency) Message Set”** so the information that can be transmitted through the ABI. CBP expects to test this new capability in 2012.
- **Accept “Images” of Documents:** CBP has built the capability to accept electronic transmission of “imaged” documents, documents that currently must be submitted on paper, through its **“Document Image System”**. CBP is testing this capability and is accepting electronically submitted EPA and NOAA forms that are required for importing certain products.
- **Establish System-to-System Communication among ITDS Agencies:** CBP has implemented a standard protocol for transferring data to other agencies’ electronic systems, known as **“Interoperable Web Services.”** This capability was successfully tested when CBP transmitted entry and entry summary data to the Consumer Product Safety Commission.

The bulk of the work on developing these three functionalities has been completed. Once the PGA Message Set is added to CBP’s major import messages, CBP makes data from that set available to agencies, and the Document Image System is regularly used to transmit “imaged” copies of documents that now must be submitted on paper, the basic electronic trade data interchange system that is mandated by the SAFE Port Act will have been implemented for imports. Completion of testing and implementation are planned for 2012.

Electronic collection and delivery of these data will make agencies better able to interdict unsafe cargo. This progress should discourage proliferation of multiple expensive electronic import reporting systems, reduce collection of paper documents, and make importing less expensive. Finally these steps will provide the necessary foundation for

more advanced “value-added” ITDS functions, such as the automated processing of data and interagency electronic communications.

ITDS for Exports

The progress that has been made on ITDS for imports has allowed the Board to turn its attention to exports. In 2010, the ITDS Board recommended building on existing export systems in order to achieve ITDS export capability. CBP and the U.S. Census Bureau (which maintain the current export commodity reporting systems) have since agreed to expand these systems to include data elements required by other ITDS agencies to enhance their processing capabilities and to support their export-related missions.

Inbound and outbound manifests contain largely the same information, about the means of transport and shipments. In 2010 the ITDS Board also suggested that an automated export manifest system be based on the work already done for an inbound manifest system, which is nearly complete. CBP has decided to use that work as the basis for a new automated export manifest system, which would include single-window capability to deliver data to other agencies, and to link data from that system to export commodity data from AES to improve export enforcement.

Finally, an interface is planned between these export systems and USXPort, a Department of Defense automated export licensing application system, which is being expanded under the President’s Export Control Reform Initiative to provide a single-window licensing platform for all agencies that license exports.

Challenges

Funding limitations have resulted in a reduction of contractor support for the ITDS program, and a consequent loss of knowledge and expertise. Competing priorities have also seen ITDS funds redirected for other uses. We see value in focusing on basics and building on existing capabilities. For example, the ACE Portal, an existing website that allows agencies to obtain data collected by CBP, can be enhanced to provide easier access to more data. The Interoperable Web Services tool can also be used to provide agencies data they currently do not receive. Basic import processing, such as license verification and notification of clearance, can be a focus in CBP’s work to develop automated cargo release and simplified entry processing in ACE.

Benefits of ITDS

Once fully implemented, ITDS will have a number of significant benefits for the private sector and the government, including:

- Reducing the burden on business and increasing the efficiency of the government's collection of international trade transaction data by substituting standard electronic messages for the redundant reporting – often on paper forms – that occurs today.
- Enhancing the ability of CBP and other agencies to target risky cargo, persons, and conveyances.
- Extending the capabilities of ACE by bringing together critical security, public health, public safety, and environmental protection information through a common platform, which will foster an “account management” approach to importing.
- Reducing the technical barriers to authorized sharing of data with other governments by accepting electronic filings reported using international standards for trade reporting (World Customs Organization standards).
- Improving compliance with laws and regulations that apply to:
 - Carriers – for example, highway safety and vessel clearance requirements,
 - People – for example, immigration requirements for drivers and crews of commercial conveyances, and
 - Goods – for example, laws addressing public health and safety, animal and plant health, consumer protection, and enforcement of trade agreements.
- Providing convenient access to data on international trade that are more accurate, complete, and timely for Federal agencies with a statistical mission.
- Providing a single billing and collection point for the variety of taxes and fees incurred by traders.
- Providing Federal agencies with a convenient, single point of access to data on trade transactions, with each agency having its own, and appropriate, level of access.

Conclusion

Despite the challenges we currently face, I am confident that the ITDS program can be successfully and expeditiously implemented. On behalf of the entire ITDS Board of Directors I can say we look forward to working with the Committee to make ITDS a success.

Mr. Chairman, thank you again for the opportunity to testify this morning. I would be happy to answer any questions you may have.