

10+2 Meeting

September 30, 2008

Governor John Engler
President and CEO
National Association of Manufacturers
(NAM)

NAM *National Association
of Manufacturers*

INDUSTRY'S VIEW OF THE PROPOSED 10+2 RULE:

- **WILL ADD 2-5 DAYS TO THE GLOBAL SUPPLY CHAIN TO PROVIDE DATA NOT AVAILABLE PRIOR TO LADING**
- **WILL COST INDUSTRY \$20 BILLION**
- **WILL DISRUPT JUST IN TIME INVENTORY SYSTEMS FOR GLOBAL COMPANIES, RISKING LEAN MANUFACTURING AND COMPETITIVENESS**
- **WILL AFFECT AMERICA'S 60,000 SMALL IMPORTERS, MOST OF WHOM LACK THE RESOURCES TO COMPILE DATA; MAY DRIVE MANY OUT OF BUSINESS**
- **WILL ADD NEW SECURITY RISKS AS CONTAINERS SIT ADDITIONAL DAYS, CREATING OPPORTUNITIES FOR TAMPERING**
- **WILL CONTRADICT AGREED-UPON WORLD CUSTOMS ORGANIZATION (WCO) "SAFE" SECURITY STANDARD, JEOPARDIZING COOPERATIVE EFFORTS**

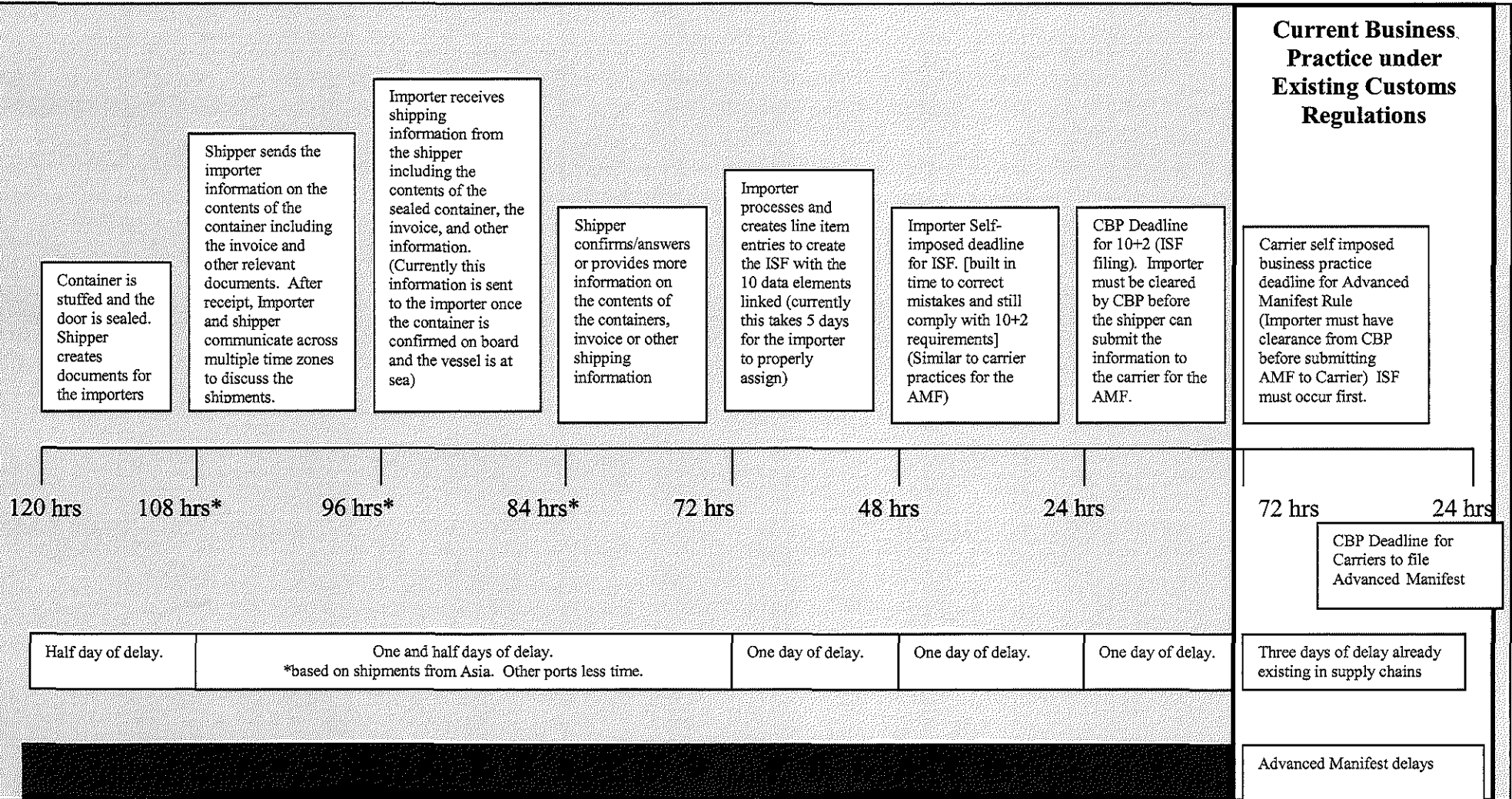
INDUSTRY'S VIEW OF RULE PROCESS:

THE NAM AND ITS MEMBERS ARE COMMITTED TO WORKING WITH CUSTOMS AND BORDER PROTECTION (CBP) TO KEEP AMERICA SECURE FROM TERRORIST THREATS AND WANT TO WORK TO MAKE AN ADVANCED NOTIFICATION SYSTEM EFFECTIVE FOR U.S. SECURITY AND TRADE FACILITATION,

BUT

- **CBP DID NOT DO CAREFUL ECONOMIC IMPACT ANALYSIS**
- **CBP DID NOT DO REAL-TIME TEST OF RULE, AND IN ITS DRY RUN APPARENTLY ACCEPTED DATA DAYS AFTER SHIP LEFT PORT**
- **CBP GROSSLY UNDERESTIMATED COST TO U.S. COMPANIES**
- **CBP DID NOT EXAMINE EFFECT ON SMALL BUSINESS, AS REQUIRED UNDER REGULATORY FLEXIBILITY ACT**
- **CBP DID NOT CONSIDER ALTERNATIVES AND REJECTED INDUSTRY RECOMMENDATIONS**

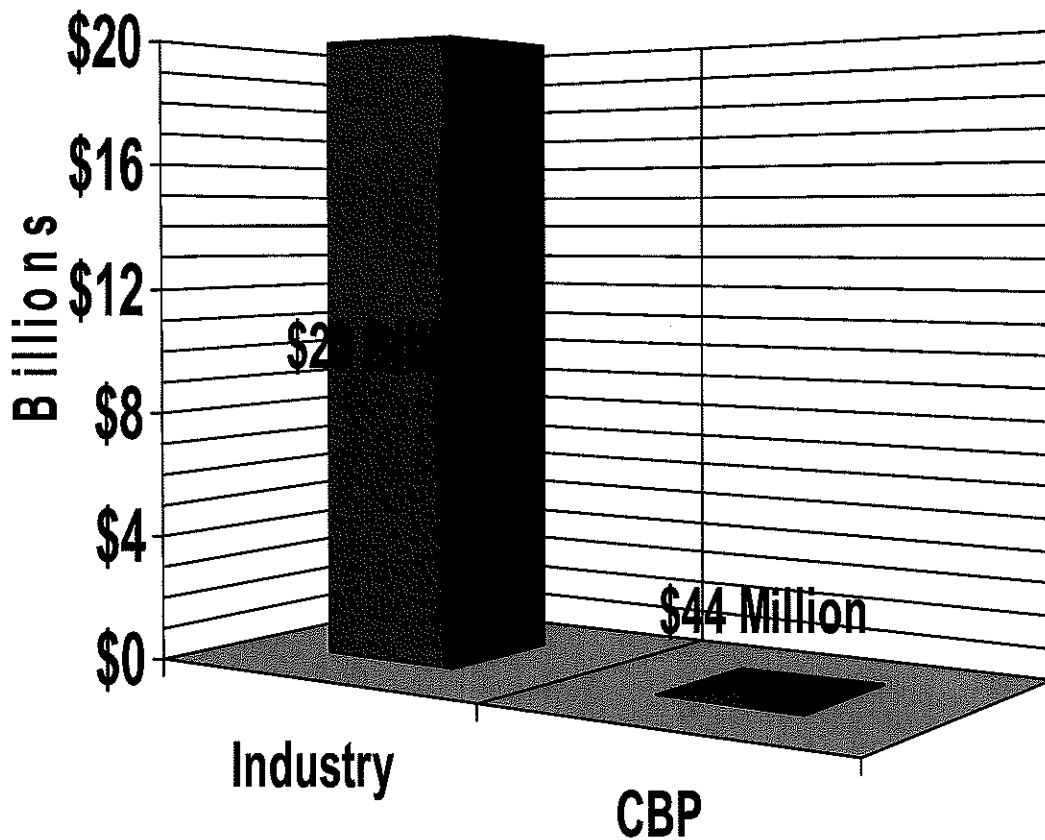
THE RULE SHOULD BE SENT BACK TO CBP FOR A REAL TIME PILOT PROGRAM, A REALISTIC ASSESSMENT OF ECONOMIC IMPACTS INCLUDING ON SMALL BUSINESS, AND MODIFICATION – ESPECIALLY DIFFERENTIAL TREATMENT FOR C-TPAT COMPANIES



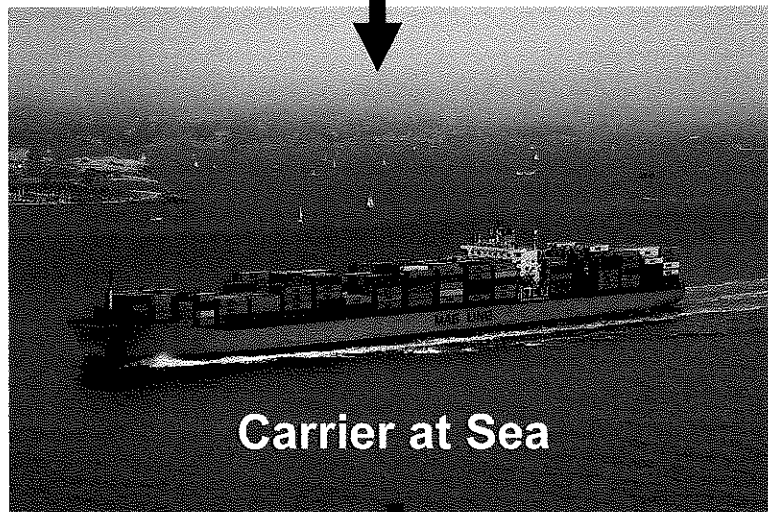
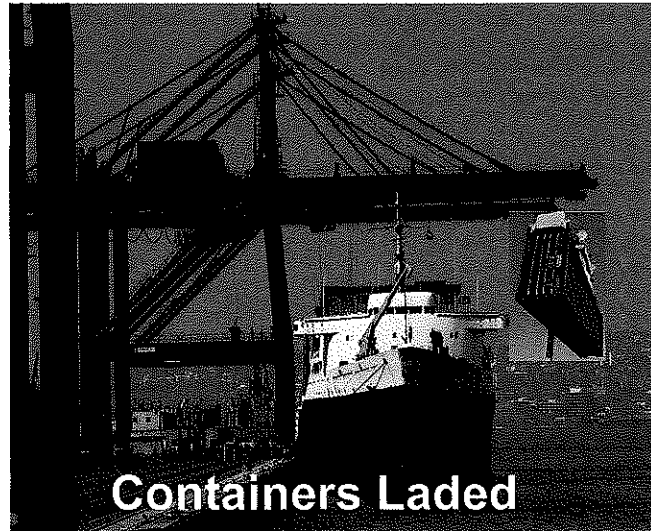
Supply Chain Delays Created by Customs 10+2



10+2 Cost Estimates



CBP's Dry Run of 10+2



Then Importers submit 10+2 Data Elements

**5 days
after lading**

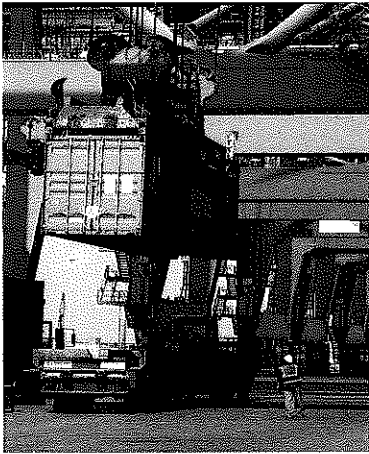


10+2 Pilot Program vs. CBP's "Dry Run" and Phased-In Enforcement

	Pilot Program	ATDI/CBP "Dry-Run"
Overview	A representative set from small, medium and large companies from multiple sectors and diverse supply chains submitting the ten data elements to the specifications of the NPRM in real time	Small set of companies/brokers submitting the ten data elements <i>after lading</i> ; not tested to the specifications of the NPRM nor are the technical data sets being used
When the data elements are provided to CBP	24 hours prior to lading	After lading; on average 5 days after lading while the vessel is at sea
Issuance of "Do Not Load" orders	Yes	No
CBP conducts Exams Abroad	Yes	No
Test run of the computer systems	Yes	No
Requires all 10 pieces of data before lading	Yes	No
Evaluates the impact on inventory and supply chain	Yes	No
Published results for others to use	Yes	No
Ability to change the NPRM after "test"	Yes	Unknown

Before and After 10+2- Security Risks

Before 10+2- Container in Continuous Movement

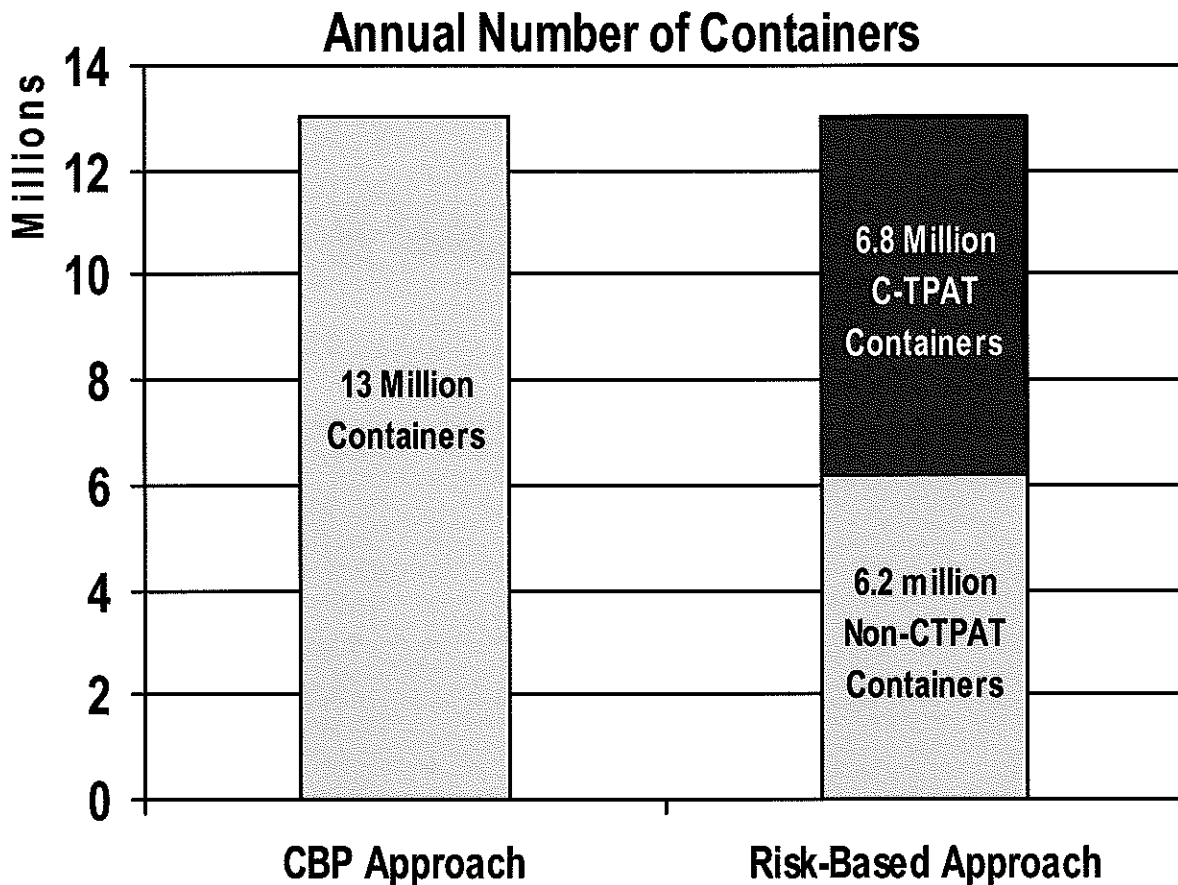


After 10+2: Containers will sit for 2-5 days creating opportunity for tampering



Many ports have insufficient space to store these additional containers—Where will they be stored? Who will guard them?

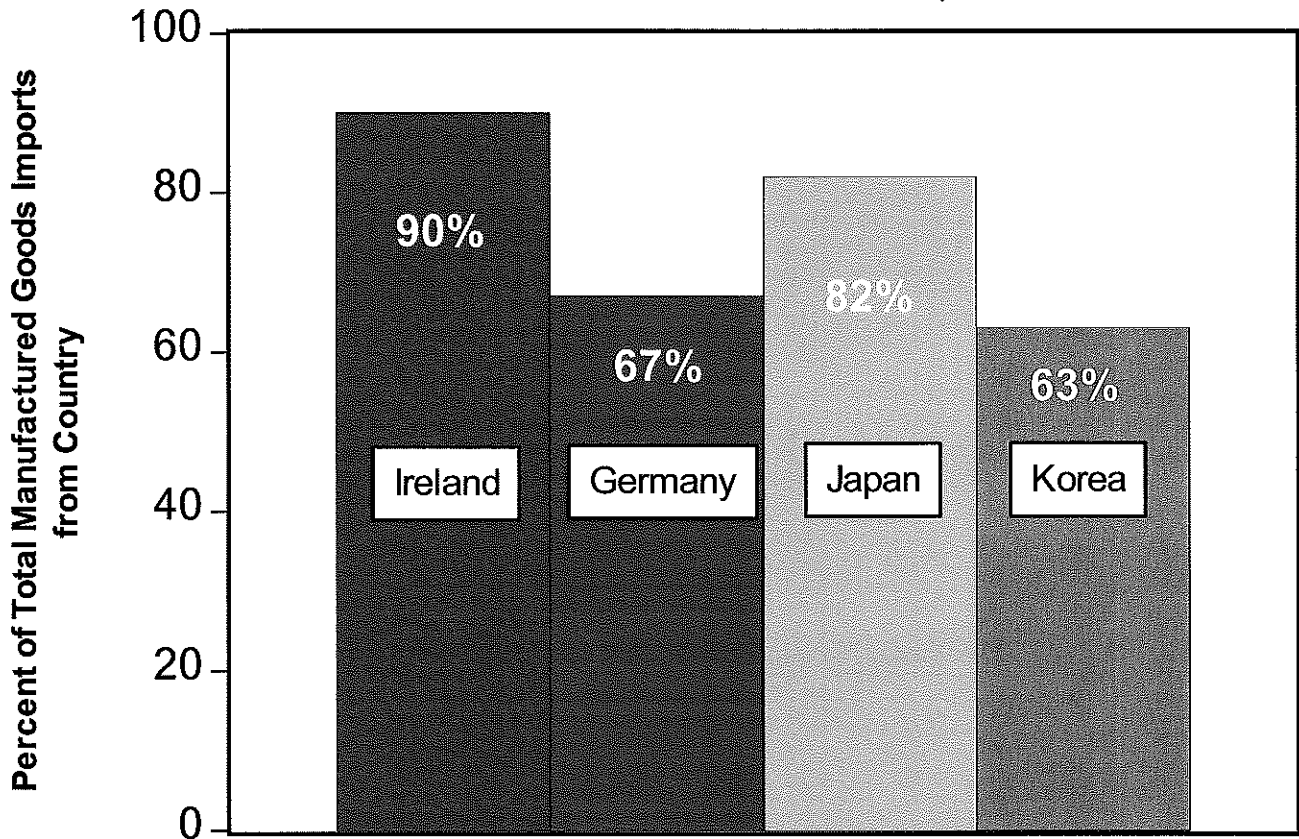
Risk Based Approach to 10+2



*An estimated 52% of U.S. Manufactured goods imports come from C-TPAT certified companies¹.

1- Based on Census Bureau data indicating that 52% of U.S. manufactured imports are related-party (intra-company transfers). Virtually all of this trade takes place within the corporate families of companies who are most likely to be C-TPAT members.

Intra-Company Imports into United States Manufactured Goods, 2007



Source: Census Bureau Related Party Trade data

The global companies who ship within their own corporate families account for huge amounts of U.S. imports. Almost all already have become trusted shippers under the C-TPAT program.

The 10+2 rule should incorporate risk-based principles and treat C-TPAT members differently than other importers.