

OMB Approves the "10+2" Initiative

APL Logistics Customer Advisory – November 2008

CBP Status Update

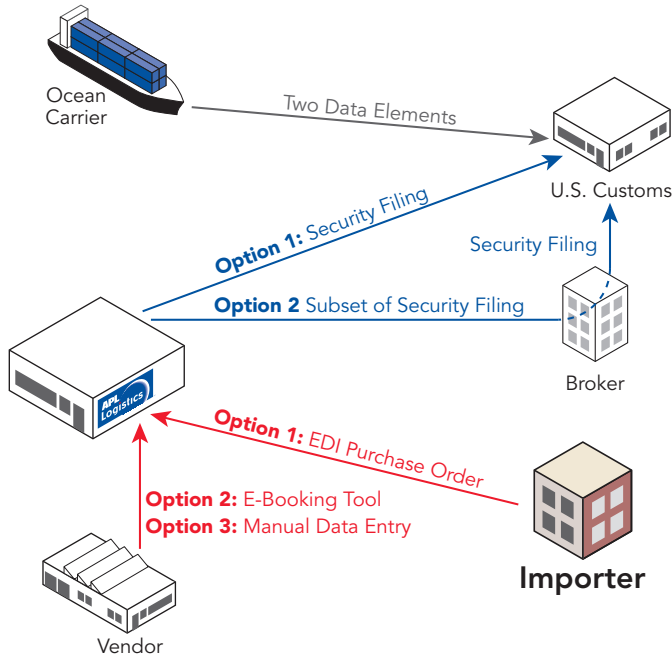
On Friday, 7 November, 2008, the Office of Management and Budget gave U.S. Customs and Border Protection (CBP) the authority to move forward with Customs' Importer Security Filing (10+2) proposal. Members of the House Ways and Means Committee have urged CBP to implement a pilot program with a group of voluntary importers prior to making the rule final. Once the rule is finalized, it is reported that there will be a 60-day implementation period, followed by a year of "informed compliance"—meaning a gradual, phased-in implementation.

What steps has APL Logistics taken to prepare for this ruling?

Since June 2007, APL Logistics has been enhancing our IT systems and business processes to be more flexible and to accommodate a variety of customers' requirements.

1. We have completed extensive changes to our mainframe system to enable the capture and transmission of the 10 data elements.
2. We are testing the new screens in our Web-based Booking Manager application, which will be used by vendors to submit

Data Flow Options:



Required ISF data elements may be sent to APL Logistics and subsequently submitted to the Broker or to Customs using the communication option that works best for each importer's needs.



ISF data such as container stuffing location and consolidator name and address for factory loads.

3. We are finalizing the specifications for enhancements to SeeChange®, our on-line supply chain management portal, to provide customers visibility to the status of their security filing.

What should customers consider in preparing for 10+2 compliance?

1. **The Filing Party:** First, an importer must determine who will be transmitting the ISF. An importer may choose to send the ISF directly to U.S. Customs or may designate an agent, such as a consolidator or broker, to submit the ISF on the importers behalf. The following table provides information to consider when making this determination:

Filing Party Considerations	Pros	Cons
APL Logistics submits the ISF directly to U.S. Customs	<ul style="list-style-type: none"> • A single EDI transmission • Longer lead time for submitting origin-related information in ISF • Most of the new data elements in the Security Filing come from the origin operation 	<ul style="list-style-type: none"> • If HTS is not known by time of booking, APL Logistics would not have this data element available
APL Logistics submits ISF (or subset) to Broker for filing with Customs	<ul style="list-style-type: none"> • Potential to submit Customs Entry file earlier 	<ul style="list-style-type: none"> • Potential ISF fees from both APL Logistics and Broker • Two EDI exchanges (ISF from APL Logistics to broker and ISF from broker to Customs) • Unclear how broker would know the cut-off time for filing, which is based on vessel load at origin
Broker submits ISF without APL Logistics involvement	<ul style="list-style-type: none"> • Longer lead time for filing 	<ul style="list-style-type: none"> • Unclear how broker would get origin data (consolidator name and address, container stuffing location, etc.) • Unclear how broker would know the cut-off time for filing, which is based on vessel load at origin
Importer submits the ISF directly to U.S. Customs	<ul style="list-style-type: none"> • Longer lead time for filing • No ISF related fees involved 	<ul style="list-style-type: none"> • Importer could face increased costs in building out its IT system to manage the ISF

2. **Drive Towards Electronic Data:** An importer should consider its ability to transmit ISF data electronically to APL Logistics.

- a. If you transmit an 850 Purchase Order (PO) today, are the ISF data elements already included in it, or can they be added to your 850 PO?
- b. If you do not transmit a PO today, are you able to implement it either via an EDI 850 or a flat file (i.e., standard Excel spreadsheet)?
- c. If electronic data transmissions are not possible, what data elements can you rely on your vendor to provide via APL Logistics' Booking Manager application?

- 3. Potential Supply Chain Process Changes:** An importer should consider the changes that 10+2 will drive in its supply chain management process.
- Will your vendors be accountable for providing more information than they do today?
 - Will you want to have visibility to the status of the ISF for your APL Logistics shipments in SeeChange?
 - Do you currently have your HTS number available early enough in the process to include this in your ISF?
 - How will you want to handle exceptions if (for example) only nine of the required 10 data elements are available at transmission cut-off?
- 4. Data Precedence:** An importer should consider ISF-related data scenarios. For example, if your PO contains a manufacturer name and address and it is different from the shipping documents, which information should be used? For our Booking Manager users, should your vendor have the capability to override the information from your purchase order? In either case, APL Logistics has configured our systems to be flexible and allow for the establishment of customer-specific business rules to manage these types of data precedence scenarios.
- 5. Data Sources:** Finally, review the list of data elements required in the ISF and ensure that you understand the source of each piece of information, and that it will be available 72 hours before vessel sailing to ensure a timely and complete transmission 24 hours before vessel load.

ISF Data Element	Brief Description
Manufacturer Name and Address	The entity that last manufactures, assembles, produces or grows the commodity
Seller Name and Address	Last known entity by which the goods are sold or agreed to be sold. If not sold the owner is reported
Buyer Name and Address	Last known entity to which the goods are sold or agreed to be sold
Ship To Name and Address	The first deliver-to party scheduled to physically receive the goods after release from Customs
Container Stuffing Location	Name and address of the physical location(s) where the goods were stuffed or if break bulk goods, where they were made shipment ready
Consolidator Name and Address	The party which stuffed the container or arranged for its stuffing. For break bulk goods, again the party who makes them shipment ready
Importer of Record Number	The IRS, EIN, SSN or CBP assigned number of the entity liable for payment of any duties and responsible for meeting all import requirements
Consignee Number	The IRS, EIN, SSN or CBP assigned number of the entity on whose account the merchandise is shipped
Country of Origin Code	Clarified to include the country of the manufacture, production or growth, based upon import law definitions and other rules and regulations
Commodity HTS Number	Still required to the 6-digit level, but allowed to be reported at the 8- or 10-digit level.

Importer of record accountability

It is the accountability of the importer of record to meet the requirements of the Importer Security Filing, according to the CBP. In order to assist our customers in complying with the new rule, APL Logistics will continue to work on building the systems and operational capability necessary to meet the complex requirements of this initiative.

If you have any questions about APL Logistics' approach, or the role we can play in helping your company capture and transmit Security Filing data, please contact your APL Logistics Account Manager or your Logistics Analyst. We have also posted related information, documentation, and resources to www.apllogistics.com. Just click on the [Global Security](#) link on the homepage.

