



WRITTEN TESTIMONY OF MARY ANN COMSTOCK

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Before the Senate Finance Committee

“Trade Facilitation and Trade Enforcement Reauthorization Act of 2013” (S.662)

May 22, 2013

Chairman Baucus, Ranking Member Hatch, and Members of the Finance Committee, on behalf of the almost 400,000 UPS employees worldwide, I appreciate the opportunity to appear before you today to discuss components of the Trade Facilitation and Trade Enforcement Reauthorization Act of 2013. My name is Mary Ann Comstock, and I am a native Montanan who has been involved in the Customs brokerage business on the northern border since 1971. I live and work in Sweet Grass, Montana which is by volume, the 8th busiest port of entry on the northern border. I’ve been a licensed Customs broker since 1978 and bring a unique perspective having owned my own small brokerage firm. I am currently a compliance manager for UPS. As you are probably aware, UPS operates one of the world’s largest, most sophisticated, intermodal transportation service networks and is one of the world’s largest customs brokerage firms. On a daily basis, UPS delivers more than 16.3 million packages and documents to 8.8 million customers in more than 220 countries and territories around the globe. UPS handles more than 6% of the U.S. GDP and 2% of the global GDP every day. In Montana, UPS has 854 employees, 195 retirees, 16 operating facilities, 18 UPS Stores, and one UPS Supply Chain Solutions location.

UPS would like to thank the Committee for its work on this significant piece of legislation. We appreciate the services provided by U.S. Customs and Border Protection (CBP), and view this bill as a way to enhance the relationship between the public and private sector through increased trade facilitation and customs modernization. Customs issues can be arcane, and perhaps not as exciting as trade negotiations to many, but customs rules and regulations are the essential machinery of trade. The best external trade policy in the world cannot be effective without the safe and efficient movement of cargo in and out of our ports. UPS applauds the Committee for its attention to this critical and overarching portion of its trade jurisdiction.

UPS continues to encounter an increasingly complex and divergent web of international trade infrastructure, most notably “at and behind the border barriers to trade,” such as inefficient and uncoordinated customs clearance and security procedures. These barriers raise costs and slow down trade at the border. Efficient and speedy customs processes, coordinated between the U.S. and its global trading partners, will constitute a huge step towards removing the bottlenecks found in global supply chains. By embracing the opportunities of e-commerce and meeting the growing demands of international trade flows through effective trade facilitation, the global economy stands to gain immensely. Chokepoints at the border, such as costly customs procedures, inefficient facilitation programs, and burdensome regulations, reduce the critical predictability of the supply chain, and as a result can have the same stifling impact on trade as tariffs. Reducing supply chain barriers to trade could increase global GDP by nearly 5% and trade by nearly 15%, according to a recent World Economic Forum study. Cutting red tape at the border through trade facilitation reforms could boost the world economy by as much as \$1 trillion and generate more than 20 million jobs, according to the Peterson Institute for International Economics. We are confident that the resolution of one of these global trade challenges will have a positive impact towards the resolution of others e.g. simplifying customs processes will lower input costs, and enable more small and medium-sized enterprises (SMEs) from the U.S. to establish export to other international markets. These changes in turn will

contribute to a more level playing field for businesses and greater choice for consumers.

Furthermore, it is critical that the U.S. shows leadership at home in improved customs and trade facilitation initiatives as these key elements are essential in our trade negotiations, particularly the Trans-Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and the Trade in Services Agreement (TISA).

I would like to focus on **four** topics today, the **first** of which is of utmost importance to UPS. UPS, along with other express carriers, diverse trade associations, and numerous supply chain partners, strongly support the increase in the de minimis threshold. We commend the Committee for recognizing the importance of this issue. In order to meet the demands of inflation and the global economy, we strongly support the language in Section 410 to raise the de minimis amount from \$200 to \$800, which has not been changed since 1993. An increase in de minimis for low value shipments allows for better allocation of resources as the costs of customs processing can outweigh the value of the duty collected. We believe the Trade Act of 2002, which provided for an increase in the personal exemption of goods from \$400 to \$800 for those travelers returning to the U.S., is an appropriate benchmark for increasing the de minimis value. In addition, we recommend that the Secretary of Treasury periodically consider adjusting these values to ensure the limits are consistent with the rate of inflation as measured by the Consumer Price Index. We were pleased to see this language in Senators Thune and Wyden's legislation on de minimis values, S. 489. Increasing the value thresholds offers significant benefits to the exporting and importing public. We applaud CBP for its work to increase the informal entry value to \$2500 and believe this provides the framework and opportunities for further growth. The Automated Commercial Environment (ACE) program has allowed CBP to focus their efforts on security and high risk targeting, and this value change offers all levels of business, particularly SMEs, the opportunity to reduce brokerage expenses and provide for simplified procedures for entry and release. Security is not affected by this legislation, as manifest information on all shipments, regardless of value, is analyzed for security threats and

subject to CBP risk assessment processes prior to arrival. By increasing de minimis and informal values, the U.S. will act as a role model to other countries, such as Canada and Mexico, to increase their values, and thereby promote trade. We need to reinforce efforts to raise de minimis levels globally, which is particularly timely with the TPP negotiations occurring this week in Lima, Peru. The wide variety of customs policies and practices around the globe often create bottlenecks at the borders, creating barriers to trade facilitation and international trade growth.

The **second** topic relates to establishing a Certified Importer Program (CIP), a trusted trader program that would be recognized by all U.S. agencies with border clearance responsibilities. For UPS, this will simplify the clearance process and reduce border holds for highly compliant importers. It is critically important to ensure that CIP is implemented in a manner that provides concrete benefits and incentives to certified entities, such as automatic known consignor status for cargo security, fast track processing through customs, permission to provide required documentation post-release, and an incentive structure of fewer inspections for fully compliant traders. Current requirements of these programs make them prohibitively costly for many SMEs. Simplifying the requirements and reducing costs will encourage SMEs to join Trusted Trader Programs. In addition, the U.S. should establish account-based customs processing for Trusted Traders, as opposed to transaction-based collection of customs duties. This includes Account Based Management, which is an existing CBP program. UPS strongly supports the concept of an integrated comprehensive account based processing program. The concept of Account Management was developed by CBP in 1994, with the idea of creating a platform for CBP to work with importers and brokers handling significant volume of imports into the U.S. The goal of the public-private partnership between CBP, importers and brokers was to achieve a high level of compliance and focus on trade issues. Revitalizing the existing program would be an immense step forward in trade facilitation without hindering security, and would bring cohesion between the government and the trade community by establishing multiple

components, including the enhanced role of National Account Managers. The program would include commercial, security, interagency and information technology account components. This should include periodic summaries of entry filings that would maximize efficiencies and improve compliance. UPS supports the language in Section 203 and believes the new Agency-wide Centers of Excellence and Expertise (CEEs) are well-positioned to support a CIP program.

The **third** topic is to focus on the need for a Single Window (one government at the border) program. Of particular importance to express delivery service (EDS) companies is the centralized clearance and release of goods. The use of national clearance agents with different computerized systems provides an extremely inefficient and administratively burdensome business landscape. We support the language in Section 207 and encourage the U.S. to finalize the development and proceed with the implementation of the International Trade Data System (ITDS) which creates a single window for processing goods inbound to the U.S. The ITDS process could prove extremely beneficial in providing trade data to Participating Government Agencies (PGAs) in advance of the arrival of the goods. The PGAs must have funding resources to update their internal systems to effectively communicate in the ACE environment. ITDS will provide paperless processing to streamline the admission of goods. It allows PGAs to work from centralized locations where they can receive, review and maintain data on imported goods, while providing trade facilitation and security oversight. ITDS through ACE provides a single platform to be utilized by multiple agencies, and sharing the cost of development and implementation makes sense from a business perspective. The implementation of ITDS will benefit the movement and release of goods exponentially. We stress the need for this to be completed by the June 30, 2014 deadline as any further delays would prevent effectively harnessing these benefits. By having a system that provides for a multi-government agency single release, commerce will flow allowing goods to reach the marketplace at a faster pace. We hope the PGAs will provide speedy data responses as CBP does, 24 hours a day.

The final topic regards the pilot program for establishing 24-hour land border ports of entry and UPS supports the language in Section 406. Coming from the 4th largest state in the Union that has only two commercial ports of entry on our 550 mile long northern border, I believe this proposal will benefit the borders. State and local governments eligible for a new 24 hour land border port must be willing to commit resources and infrastructure improvements to support the commercial designation of a port. This is a trade facilitation opportunity that could benefit importers by cutting down on transit times, and provide local economies a boost from increased traffic. The proposal also fosters dialogue with Canada and Mexico, our closest trading partners.

UPS would like to thank the Committee for your continued support and the firm deadlines imposed for the ACE project. We ask the Committee to continue to urge CBP to meet its mission responsibilities, particularly the key component of improved information technology. It is imperative that this project is completed.

In closing, UPS would like to applaud the Committee for their renewed focus on trade. In today's global economy, businesses are linked together through a web of interconnected, predictable, and efficient supply chains. Inputs come from all over the world to create products with the greatest value for the consumer. Limiting cross-border friction will boost the global competitiveness of U.S. businesses and reduce costs across our highly-integrated operations. By providing CBP the tools to facilitate legitimate trade and reorganizing their structure to emphasize trade's importance to the United States economy, you have taken a huge step to strengthening U.S. competitiveness and growing our exports. Security and trade facilitation should be of equal concern. Thank you again for allowing me the opportunity to testify in front of this Committee on this critical issue.