

**U.S. CUSTOMS SERVICE BUDGET
AUTHORIZATION FOR FISCAL YEAR 1993**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED SECOND CONGRESS
SECOND SESSION

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APRIL 8, 1992
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U.S. CUSTOMS SERVICE BUDGET AUTHORIZATION FOR FISCAL YEAR 1993

WEDNESDAY, APRIL 8, 1992

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:07 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Baucus and Packwood.

[The press release announcing the hearing follows:]

(Press Release No. H-16, March 30, 1992)

BENTSEN CALLS HEARING ON CUSTOMS BUDGET, CHAIRMAN NOTES RANGE OF SERVICE'S RESPONSIBILITIES

WASHINGTON, DC—Senator Lloyd Bentsen, Chairman of the Senate Finance Committee, Monday announced a hearing on authorization of the Customs Service budget.

The hearing will be at 10 a.m., Wednesday, April 8, 1992 in Room SD-215 of the Dirksen Senate Office Building.

"As international trade has increased, the demands on our Customs Service have grown sharply. This is particularly true along our border with Mexico, where our two-way trade has more than doubled in the past 5 years," Bentsen (D., Texas) said.

"I want to be sure that Customs has in place sufficient resources to process commercial traffic quickly and effectively, while properly enforcing our customs and trade laws, and playing a leading role in the fight against narcotics trade. And I want to be sure that the agency has in place a long-range strategy for coping with the continuing growth in trade and traffic along the Southwest border," Bentsen said.

OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE

The CHAIRMAN. This hearing will come to order. In my view, one of the committee's more important responsibilities is that of examining the budget for Customs.

As I recall, the last time we reviewed Customs' budget, we provided a 2-year authorization. So, this is the first time in a couple of years we have had a chance to re-examine it.

We have not always seen eye-to-eye with the administration on this issue. I can remember having to do battle year after year with OMB as they proposed sharp cuts in the Customs staff and in their budget.

I was pleased to see that the budget this year does not follow that pattern. That is a positive sign. But it is also part of our job

to look behind the numbers to make sure the agency is doing an effective job, an efficient job.

The fact is, that over the years we have asked the Customs Service to do more and more work with essentially static resources. I guess the idea is they are supposed to do more through automation and improved efficiency. I am not sure that always works.

The total number of entries of merchandise that Customs must process has doubled in the past 5 years—almost 67 million entries. At the same time, we expect Customs to vigorously enforce our trade laws, and play a leading role in the war on drugs. We want it both ways, not unlike the American voter.

We want Customs to move the merchandise quickly so as not to disrupt supply lines. But we also want to make sure that they are properly enforcing our laws.

Nowhere is this tension, I think, more apparent than it is on the Mexican border. Trade with Mexico has more than doubled over the past 5 years, and continues to escalate. And the volume of northbound commercial cargo reflects that kind of growth.

Certainly I welcome that increase of trade with Mexico, but I sure do not welcome the bottlenecks and the congestion that have become familiar sights at southern ports of entry.

Last week we met with you, Commissioner, and with the INS Commission, Gene McNary, and GSA Administrator Richard Austin to discuss some of these problems. It was interesting to hear the three of you defend what has been done on that border about traffic flows. It was substantially in conflict with what I hear from border officials.

And, as late as last week, I was talking to the outgoing Mayor of the city of Brownsville, who was citing what he had specifically seen himself the preceding week, and the fact that the lanes were not manned fully at all—in fact, they were sparsely manned—and the extended congestion of traffic of people trying to get across.

Commissioner, I wonder if you folks go down there unannounced, or if you go down with all kinds of forewarning for those folks manning those stations.

But I understand that the three of you will be putting your heads together with two reports. The first one will describe how these agencies will staff all of the border facilities that have been built, expanded, or modernized under the Southern Border Capital Improvements Program.

I hope that will give us some assurance that these ports of entry will be adequately staffed and sufficiently manned.

You, Commissioner, and your counterparts at INS and GSA will also be reporting to us on your long-range planning; how you intend to prepare for continued increase in trade with Mexico, particularly once the North American Free Trade Agreement negotiations are finished.

I look forward to hearing more on this from you, Commissioner. And I have asked our other panelists this morning to give me their thoughts on our border operations, what the problems are, what the improvements are that Customs should be making.

And, Madam Commissioner, I do not want you to think that my only interest is the Texas-Mexican border. The Customs Service

collected some \$18 billion in revenues last year. That is second only to the Internal Revenue Service.

It has over 17,000 employees. That is a big agency, with an important mission. And we want to be sure that those resources are used effectively. It is important that Customs move that merchandise quickly. But it is so equally important that our Customs laws and our narcotics laws are enforced.

I want to raise one concern in particular. I was deeply troubled to learn about the testimony given last week under oath by a Federal prosecutor who described serious problems in Customs' anti-drug operations at the border.

He said that Customs agents did not cooperate with other law enforcement agencies, and, in some cases, botched investigations. And I want to hear your response to those allegations.

We were easy on you last year, Commissioner, after that two-year authorization to justify your budget request. This time it is time to take stock of where we are. Senator Packwood.

Senator PACKWOOD. No statement.

The CHAIRMAN. Senator Baucus.

Senator BAUCUS. No statement.

The CHAIRMAN. Commissioner, please begin.

**STATEMENT OF HON. CAROL B. HALLETT, COMMISSIONER,
U.S. CUSTOMS SERVICE, ACCOMPANIED BY JOHN E.
HENSLEY, ASSISTANT COMMISSIONER FOR ENFORCEMENT,
U.S. CUSTOMS SERVICE AND WAYNE HAMILTON, DIRECTOR,
BUDGET DIVISION**

Commissioner HALLETT. Thank you very much, Mr. Chairman and members of the committee. It is a pleasure to appear before you and to be able to outline the fiscal 1993 authorization request for the Customs Service. And I do request that my longer statement be made a part of the record.

The CHAIRMAN. That will be done.

[The prepared statement of Commissioner Hallett appears in the appendix.]

Commissioner HALLETT. I have with me the Director of Budget, Wayne Hamilton.

I would like to start out by simply pointing out that our request for fiscal year 1993 totals \$1.479 billion. This includes a \$25.4 million request for nine initiatives, as well as a request for 267 additional positions.

Customs processed—and you certainly referenced this—hundreds of millions of passengers and vehicles. We processed, in fact, in excess of \$1 trillion worth of merchandise in 1991, while at the same time preventing the flow of contraband materials, as well as pirated copies of protected merchandise, along with articles that are dangerous to the general public.

Certainly the elimination of trade restrictions will accelerate the rate at which goods enter our Nation. The result is going to be an increased work load for Customs. And certainly trafficking in illegal narcotics will continue to be a major problem for us.

We have instituted an integrated planning process and have identified several key needs which are included in the 1993 fiscal

year enhancements. Nine initiatives, as I mentioned, were conceived and developed in conjunction with our Customs 5-year plan.

These initiatives, we believe, are essential if we are going to perform the day-to-day work that Customs must do, in order not only to collect the approximately \$18 billion in revenue, but also to protect the borders.

Fiscal year 1991 was a banner year for the Customs Service. We seized enormous amounts of illegal narcotics. In fact, Customs made the largest seizure of heroin in the history of the United States. And heroin seizures doubled to 2,960 pounds over 1990 figures. We also seized 170,000 pounds of cocaine. That was more than any other year. And we seized 287,000 pounds of marijuana, and over 177,000 pounds of hashish.

Already this fiscal year, Mr. Chairman, we at Customs have seized 75 tons of cocaine and hashish. That is over 150,000 pounds of cocaine and hashish just this fiscal year, 1992.

We also concentrated on money laundering. One particular case that I would share with you, Polar Cap in Manhattan, uncovered a complex scheme that included \$1 billion in fake contracts and \$700 million in laundered money. In addition to that, we seized \$271 million in negotiable instruments, such as promissory notes and other bearer documents.

And so, in terms of the job being done, it is certainly getting done. I might point out that probably every conveyance possible has been used by smugglers. In fact, of the heroin that we have seized at JFK Airport alone, 60 percent of that came in in the stomachs of human beings.

The air program has worked closely with our counterparts in Mexico and Central American countries. This effort has led to seizures totalling over 35 tons of cocaine.

On the commercial side, we have facilitated more goods and passengers than ever before. We have been extremely successful in attacking commercial fraud in cases involving products which are illegally marked, transshipped, or in violation of quotas.

Jump teams, which we have just recently created, are used to verify the production capability of foreign manufacturers. They are designed to pinpoint firms that are engaged in illicit transshipment of goods to evade quota restrictions, especially those that have a damaging impact on our textile products. These teams actually identify violations before they can enter the United States. In 1991, the teams went into, among other countries, Taiwan, Panama, Macau, Hong Kong, and Mexico. I might point out that our jump team came out of Kuwait 2 days before Desert Shield.

Our trade fraud initiative will enhance our ability to bolster our enforcement effort. And that is very important in commercial fraud.

I might also point out that I think our returns on the investment, particularly from national audits, are very impressive. They show \$15.19 being returned to the Treasury for every dollar invested in regulatory programs. The fraud audits alone have given us an \$11.97 return for every dollar spent.

During fiscal year 1991, Customs completed 492 audits. There were another 480 in progress during that period of time.

We have, among other things, implemented passenger processing of the 1990's, so that we will be able to better target possible violators, particularly at airports.

We are working closely with the airline industry so that we will be able not only to have better passenger information, but also to make Customs clearance at airports faster and easier.

The Canine Enforcement Program has been particularly important to Customs. We have trained, and have in the field, a number of teams. By the end of this fiscal year, we will have over 400 teams in the field. And we have requested \$1.4 million to hire an additional 54 teams in fiscal year 1993.

The Office of National Drug Control Policy has proposed to transfer \$4.6 million of the special forfeiture fund to Customs to continue our efforts to improve our Canine Enforcement training facility at Front Royal, VA.

On the trade side, we are doing things to ensure that cargo is moved as quickly as possible, while maintaining our responsibilities under the laws to inspect for illegal and other violations.

And, Mr. Chairman, this simply would not be possible without automation, or without the cooperation of the trade community.

Our carrier initiative program, which includes over 1,800 sea and air carriers in more than 21 countries, has been designed so that it will provide advance scrutiny of high-risk shipments, helping us to speed up the processing.

When it comes to automation, our commercial system currently processes 31 percent of cargo entries without delays which are inherent in paper processing. Our goal, Mr. Chairman, is 75 percent of all transactions and collections in paperless mode by the year 1995.

And so, I have truly only briefly touched on the many things Customs is doing. You have asked many important questions—you and the other members—to which I will be happy to respond.

I do want to thank the committee for the strong support you have given us in the past. And I will be happy to respond to your questions.

The CHAIRMAN. All right. Let us try the first one. I was advised that yesterday the Customs Service notified customs brokers in Laredo that most of the commercial staff was going to be moved from Laredo to the new Columbia Solidarity Bridge.

But there is very little traffic moving across that bridge. To my understanding, the road on the Mexican side has not even been completed. Now, why does that make sense?

Commissioner HALLETT. Well, it does not make sense to me either, Mr. Chairman. I do not know where the information originated. The bottom line is we, the U.S. Government, spent \$30 million to build that new facility, which was one of those locations earmarked as an important new location to have a port.

We have a total of some 700 employees in the Laredo district. Only 14 out of those 700 are being moved, in fact, to the Columbia Crossing.

They will not be moved, nor will we make any major move until June or July. And I say major as in 14 positions.

This move will not take place until after the new road is completed, which is at this time an 18-mile—as I understand it, not

having driven on it—road filled with potholes, and certainly a problem for anyone going there.

I cannot comment on what the road is like on the Mexican side, but it is certainly bad on the U.S. side. And so, the plan is that not only will there only be a small number of people going to Columbia—

The CHAIRMAN. I am not sure that small number really tells us the story. Because when you say 700, but then my understanding is these 14 are import specialists.

Commissioner HALLETT. That is correct, Mr. Chairman.

The CHAIRMAN. That is a highly significant group. It is not some relatively small thing.

Commissioner HALLETT. It is not just import specialists. It is auditors, import specialists, and others. But I think it is really a distorted picture that has been painted, because we are going to make sure that everyone at both facilities both at the Laredo facility and at Columbia, will be trained.

There will be no difference in capability between the two locations. You cannot build a \$30 million facility and leave it empty.

The CHAIRMAN. But if you do not have a road to it, you leave it empty. If you cannot get people across it, you leave it empty until you can get transportation through there. That is just a practical approach to it.

Commissioner HALLETT. Mr. Chairman, I think we are being practical by not only being able to provide people at that facility, but to continue to provide the service that we have—and provide it quite well, honestly—to the commercial community at Laredo.

The CHAIRMAN. But I am getting complaints of that. And I have a concern that you are really doing that. And, once again, I would like to cite you my comment earlier. Do not go down there with all flags flying, because those folks like to show off and show you what a great job they are doing.

I would think that these reports that I get from someone like Nacho Garza—now, he has been Mayor in Brownsville for a long time. He has now decided he has had enough of that and he has quit.

But he is a stable fellow. He is a responsible person. I have a high regard for him.

And he tells me that you have incredible congestion there and still not a real balanced handling of the lanes of traffic. And that is a serious concern to me. It is contrary to what I hear from you and what I heard last week from INS and GSA.

Commissioner HALLETT. Mr. Chairman, it just would not be possible to have a period of time when you do not have crowding and delays on the southwest border at peak times. We are seeing a \$350 million expenditure that has been handled by GSA to build more border crossings—Columbia, of course, was one of them—to help ease up the problem there.

But I have to point out that one of the things that is important, particularly in the Brownsville area, as well as other locations, is that we continue to do more than just add inspectors.

In fact, we will have all of the inspectors that were appropriated for this current fiscal year on line by the 1st of July. For this year, an additional 370 positions were added on the Southwest border.

And, of that number, we now have, I think, only about 48 positions out of the 370 still unfilled. We expect all of those to be filled, as I say, by the 1st of July. That, again, is going to help with respect to the delays.

But, Mr. Chairman, I could not sit here and tell you it will eliminate the delays. It will not. In many cases, there are not enough lanes; in other cases, not all of the lanes are manned. But it is something that we are working on.

The CHAIRMAN. The other question is, the charges of the Federal prosecutor in south Texas saying that Customs had botched a number of drug investigations, and, in turn, had failed to cooperate with other law enforcement agencies. How would you respond to that?

Commissioner HALLETT. Mr. Chairman, was that Mr. Crews who made that statement?

The CHAIRMAN. That is my understanding.

Commissioner HALLETT. Well, I am glad that this came up, because it gives me yet another opportunity to discuss something very important to the Customs Service, and, unfortunately, greatly distorted by many people with respect to that issue.

Approximately a year and a half ago, there were a number of allegations that there was "widespread systemic corruption" in southwest Texas.

As a result of those allegations, I created a nine-member blue ribbon task force made up of five people from outside of the Customs Service, but in Government, and four from within the Customs Service.

They went to the area from Corpus Christi to San Antonio and looked at that specific allegation. They interviewed not only Mr. Crews, but every other U.S. Attorney and Assistant U.S. Attorney who had been involved with Customs in that area.

In addition to those individuals, they interviewed the head of every law enforcement agency—Federal, State, and local—in those areas, along with Customs employees as well, including whistleblowers, both current and former, with the Customs Service.

The people who did those specific interviews were non-Customs people from other government agencies, three of whom I had never met.

It is important to point out that not one of those individuals, including Mr. Crews, made a single allegation when asked for any specifics.

And all of those agencies said—and they have repeated it to me as recently as 2 weeks ago—that they have had an excellent working relationship with the Customs Service and feel that we are doing a very good job. And I would be happy to give you the names of those individuals, both U.S. Attorneys, Assistant U.S. Attorneys, and heads of law enforcement agencies in the area with whom I talked.

But, in spite of that, Mr. Chairman—and this is a very worrisome problem—we found there were some extremely serious mismanagement problems in that area that needed very specific attention.

Once the blue ribbon team came back in August and made some 151 findings and recommendations, I immediately put together a

team, and hired someone from outside to help us implement those recommendations.

We have now hired an Assistant U.S. Attorney from New Jersey, who was a member of that panel, to become our new Associate Commissioner to oversee carrying out all of those recommendations, many of which have already been accomplished.

It is very distressing to me to have a statement made by an Assistant U.S. Attorney like that, though it was countered completely by Mr. Michael Shelby, the Assistant U.S. Attorney who took over the case in the Brownsville area at the request of the U.S. Attorney, Mr. Oncon, in Houston, the case to which Mr. Crews was referring.

I will also be happy to submit for the record a copy of the letter from the Assistant U.S. Attorney who said that he was asked to take the case over because Mr. Crews was "in over his head," according to the U.S. Attorney.

[The letter appears in the appendix.]

Commissioner HALLETT. And so, I think there are two very distinct and important sides that need to be told. And I am terribly distressed to think that that statement would be continuously made when it is obviously, at least we believe, quite erroneous.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. Madam Commissioner, in 1988, your predecessor, Mr. Von Robb, said he would try to permanently increase the staff at the Medford Grant Pass area in southern Oregon, because it is probably the center of our drug trade in the State.

Then you had budget limitations, and, to the best of my knowledge, none was assigned. But with this immense increase in budget and personnel that you are now getting, do you think you could address yourself to that problem?

Commissioner HALLETT. Senator, I will be more than happy to look at that again. That, in fact, was an agent office and not an inspector office that we discussed. And I know we have had ongoing discussions.

I will be happy to meet not only with you, but also with Mr. Hensley, our Assistant Commissioner for Enforcement, to once again review the need there.

I do not, for a moment, deny that there is an increasing need to open several offices. That is one office that we should take another look at, because we have not for some time.

Senator PACKWOOD. I appreciate that. Now let me ask you one about moving an office. Only in this case, as opposed to what you are doing, apparently, in moving some people from Laredo, this is one where the bulk of the broker's community would like you to move your office from downtown Portland to the airport.

And I know the bulk of the community supports it; I do not know if everybody does. Can you let me know what you think of that?

Commissioner HALLETT. Well, certainly I can appreciate their desire to see the office located closer to the airport. And, as I am sure you can appreciate, it is always difficult to contemplate leaving an historic and beautiful facility such as the one in downtown Portland. Having visited that magnificent old Customs House, I would imagine it would be difficult to leave.

However, there is a need for a considerable amount of remodeling. Not only is there concern for asbestos, but the heating and the plumbing systems in the building need to be remodeled. And when that happens, serious consideration must be made to moving everyone out rather than part by part.

No final decision has been made, but it is under serious consideration whether to make a permanent move or just move part of the office at a time while the work is being done by GSA.

Senator PACKWOOD. I appreciate it. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman. Commissioner, I would like to read portions of a letter to me dated July 19. Essentially, the portion is this: "Charges that China exports goods produced with prison labor are a matter of serious concern.

I am ordering the following additional measures: the Department of State will seek to negotiate a Memorandum of Understanding with China on procedures for the prompt investigation of allegations that specific imports from China were produced by prison labor; the U.S. Customs Service will deny entry to products imported from China when there is reasonable indication that the products were made by prison labor.

I am also instructing the U.S. Customs Service to identify an office to receive information on prison labor exports and establish procedures for the prompt investigation of reports of prison labor exports, additional Customs officials will be directed to identify prison labor exports and aid in uncovering textile transshipments." And, as you know, that letter was signed by George Bush.

Could you tell me what has happened? And that is almost nine months ago that that letter was written and those commitments made. Just give us an idea of how well you followed up on that?

Commissioner HALLETT. I am over-enthusiastic trying to interrupt you to tell you what has been accomplished because I think it is really so important. We have created special teams that are dealing just with this issue.

And, I might point out that we were involved in this, working on it, prior to receipt of that letter. The letter was just further encouragement.

Never before in the history of the U.S. Customs Service have we successfully detained any goods that were theoretically made with slave labor, prior to this last year.

This last year we seized—in fact, detained is the correct word to use—nine different goods, and this is much more than just a single item.

The items included wrenches and steel pipes, hand tools, socks, planning materials, diesel engines, machine presses, diesel engines that are used for textile machinery, and a number of other goods in significant quantities.

In addition to detaining them and forcing them back out of the country, we also—I am pleased to tell you—for the first time in the history of this country have just, on April 3rd, been able to get a conviction in Wisconsin—I believe it was—with the E.W. Blist Co. They were charged with importing goods by forced convict labor. This is a very important case because it sets a precedent. And those goods now must also be shipped out of the country.

Senator BAUCUS. I appreciate that. Could you tell me the value of intercepted goods thus far, their approximately value?

Commissioner HALLETT. Let me ask Mr. Hensley if he knows that. Otherwise, I will get back to you for the record.

Senator BAUCUS. Do you have that at your finger tips?

Mr. HENSLEY. Senator, I do not have the exact number, but it is several million dollars' worth. The Blist Company seizure alone was around \$650,000.

Senator BAUCUS. All right. What office have you designated with the responsibility for receiving information?

Commissioner HALLETT. In the Office of Enforcement we have set up a command center that deals specifically with this.

Senator BAUCUS. And what additional level of funds have you dedicated to this effort?

Commissioner HALLETT. Well, I think that rather than saying funds—

Senator BAUCUS. Or transferred.

Commissioner HALLETT. We have dedicated agents whose sole responsibility is this particular program, along with the inspectors.

Senator BAUCUS. How many additional personnel would that be, approximately?

Commissioner HALLETT. Actually, we have a total of 2,800 who are eligible to work on it as need be. But how many have we had, John?

Senator BAUCUS. The President says that additional Customs officials will be directed. I am just curious how many?

Commissioner HALLETT. One hundred agents, I am advised by Mr. Hensley.

Senator BAUCUS. Additional? Additional?

Commissioner HALLETT. That is correct.

Senator BAUCUS. All right. What about the Memorandum of Understanding, is that still hung up over the issue of verification?

Commissioner HALLETT. The Memorandum of Understanding with the Government of China is hung up. However, we do have a negotiating team from Customs going to China next month to resume negotiations on this issue. I think that is important.

I think, however, more important is the work that we are doing not only in the trade community, but with others. And, I might point out that as a result of the work that is being done by Customs, by the Congress, and by others, a major new step has been achieved. Sears Roebuck and other companies are now saying that they will not accept any goods that they determine are made with slave labor.

Senator BAUCUS. Am I correct that a reverse presumption now applies where there is preliminary evidence that goods were produced by prison labor, those goods will not be admitted unless China satisfactorily proves that the goods were not made by prison labor? Am I correct that there is now a reverse presumption that is applicable?

Commissioner HALLETT. We are going in that direction. That is actually the issue of reasonable suspicion. And we feel that the current law constitutes enough information so that we are able to develop reasonable suspicion.

Senator BAUCUS. And I might say that the President says in the portion I did not read, "The denial will continue until the Chinese Government or Chinese exporter provides credible evidence." I mean, he is asking that you do create that reverse presumption, as I read that language.

Commissioner HALLETT. Well, right now we are utilizing the code section that says, "a reasonable suspicion is based on specific articulable facts, which, when taken together with what you can reasonably infer from those facts, would lead a reasonable officer to a suspicion that a person might be engaged or has been engaged in criminal activity."

Now, we are basing our decisions on that. We will certainly be happy to discuss this with you further, Senator Baucus.

Senator BAUCUS. Just turning to my home State, as I understand it, you have increased staffing at Pegan. Is that right? That crossing.

Commissioner HALLETT. We are adding one additional person at Pegan, Senator. But, in addition to that, we have also expanded the hours of operation, which is particularly important in that area.

Those hours are now from 7:00 in the morning to 11:00 at night. There is a real hardship there, which is—with those expanded hours we have by adding one additional person—we need INS to add one.

Senator BAUCUS. I appreciate that. I do not have a lot of time here. I appreciate your assistance in directing your attention to that crossing. As you well know, I am having some difficulty still with INS. What about cross designation, is that a concept that might work?

Commissioner HALLETT. There is already cross designation. However, it does not enable a full investigation, for instance, of individuals.

We are cross designated to process people coming into the country. We are not cross designated, however, to carry out a lengthy investigation with an individual who is suspected of being an illegal alien.

Senator BAUCUS. As you well know, too, we have a lot of problems at Sweet Grass in working with the Canadians. I just urge you to press vigorously. That includes convoluted operations, poorly-designed roads, lack of truck parking facilities.

Commissioner HALLETT. Yes.

Senator BAUCUS. It is a problem.

Commissioner HALLETT. It is a very big problem. We are working not only with Canada Customs, but also with GSA.

And it is very important to point out to you that in the course of our bilateral discussions with Canadian Customs this year we will again be pushing for some of those additional improvements on the Canadian side.

Senator BAUCUS. Thank you, Commissioner. You have worked hard to help us address our problems in Montana.

Commissioner HALLETT. Thank you.

Senator BAUCUS. And I am going to be pushing with equal vigor on INS, because they have yet to come through, frankly. Thank you.

The CHAIRMAN. Commissioner, I was reading a report that gave me some concern about a recent witness over on the House side for a House Subcommittee, saying that the General Accounting Office's analysis showed that Customs discovered only about 16 percent of the estimated violations in cargo imported during fiscal year 1991, down from 23 percent in 1988.

That is about a 30 percent reduction in effectiveness. What do you have to say to that?

Commissioner HALLETT. Well, Mr. Chairman, we are certainly not perfect. At the same time, we have changed significantly the way in which we search cargo that is coming into this country.

In fact—it may have been during the same testimony—I believe it was also suggested that rather than checking some 90,000 cargo containers, that we could probably do the same thing by only looking at 400 and be as successful. That is hard for us to rectify in our own minds. At the same time, we do believe that we have made some significant changes that are the reason for those percentage differences.

We now have manifest review units that look at all of the manifests before arrival in the country to determine which of the many containers we are going to check for illegal goods.

We also have a variety of other systems that we utilize, including, as I mentioned in my opening remarks, the Super Carrier Initiatives.

We have developed a sealing program with the Maquiladoras, one of the many changes that have enabled us to look at some containers with less frequency than others.

We have also targeted high-risk country cargo. Containers coming from Sweden, let us say, are much less likely to be inspected than containers coming from Columbia. The percentages are much, much higher on those high-risk countries—in excess of 20 percent of those containers—and I wish it were 100 percent.

But let me just share with you a very, very interesting statistic. And that is, if the 8 million cargo containers that came in last year were lined up and each one of them were put on one single conveyor belt and sent through one X-ray machine, it would take 379 years for us to pass them through that one X-ray machine.

That is why we have utilized and have added more canine teams; that is why additional inspectors have been added at the borders, the ports of entry: sea, land, and air.

Senator, I know that the figure that you repeated is correct. However, I believe we have also compensated for it in the way in which we are doing the inspections. We would like to inspect more. We have added, fortunately, a significant number of men and woman from the National Guard who assist us with our inspections. Much more will be done, but it is frankly a matter of resources.

The one thing we are also looking for now is how to do all of these exams, while at the same time facilitating the passage of all of this trade coming into the country. And we are working on that.

I think not only our current selectivity programs, but also the procedures that we are developing will help us to do both.

The CHAIRMAN. Well, obviously you have a personnel problem. That is one of the reasons that we have fought hard in this com-

mittee to try to get additional personnel for you. That is why we have had our confrontations with OMB in that regard.

Senator Riegle, who has a conflicting engagement, has asked that we put his comments in the record, along with some questions for you, Commissioner, that I would want you to answer as early as convenient for you.

Commissioner HALLETT. We would be happy to.

[The prepared statement and questions of Senator Riegle appear in the appendix.]

The CHAIRMAN. Do you have any further questions?

Senator BAUCUS. No other questions, Mr. Chairman.

The CHAIRMAN. Thank you very much, Commissioner. We are pleased to have you.

Commissioner HALLETT. Thank you very much, Senator.

The CHAIRMAN. I might say Senator Roth also has made such a request.

[The prepared statement and questions of Senator Roth appear in the appendix.]

Commissioner HALLETT. Thank you, Mr. Chairman. We will be happy to respond to questions from any other members as well, as we receive the requests.

The CHAIRMAN. All right. Next we will have a panel consisting of Mr. Harold Brauner, who is president of the National Customs Brokers and Forwarders Association of America from New York; Mr. José Escamilla, who is the city manager of the city of McAllen, and the chairman of the Border Trade Alliance, vice chairman of the Texas-Mexico Bridge Owners Association from McAllen, TX.

Mr. Allen Mendelowitz is the Director of International Trade and Finance Issues, General Government Division, of the U.S. GAO.

Mr. Brauner is the President of the National Customs Brokers and Forwarders Association. We are pleased to have you. If you would go ahead with your testimony.

STATEMENT OF HAROLD G. BRAUNER, PRESIDENT, NATIONAL CUSTOMS BROKERS AND FORWARDERS ASSOCIATION OF AMERICA, NEW YORK, NY

Mr. BRAUNER. Mr. Chairman, I welcome this opportunity to appear before you to discuss authorization of Customs funding for fiscal year 1993, on behalf of the National Customs Brokers and Forwarders Association of America.

I am Harold Brauner, President of Brauner International Corporation, and the newly-elected President of NCBFAA.

Overall, good things are happening at Customs. The agency is handling more imports than ever before, and, by and large, the processing of entries has never been smoother.

The spirit of cooperation ushered in by Commissioner Carol Hallett just 3 years ago has helped pave the way for these tangible improvements.

The effort to modernize the statutory basis for Customs operation has been under way for several years now. And, in time, Mr. Chairman, the House may be sending over to you their version of how this should be accomplished.

NCBFAA has been a leading participant in this endeavor, and we have struggled to craft a legislative proposal that will achieve

this end without endangering the quality and integrity of the entry processes in their practical application.

We ask that the committee recognize how this bill affects our industry. The legislation will dictate new rules and establish a new environment in which we will conduct our business. Customs brokers, after all, are on the front lines, representing our clients' interests with Customs.

It is simple-minded to say that this is "technological advance; all or nothing." These are highly complex issues where a misstep can have disastrous consequences for Customs' import processing system, as well as to drive many Customs brokers out of the business.

The core of our interest lies within the National Customs Automation Program provisions of H.R. 3935. For months now we have engaged in intensive negotiations with Customs to ensure that the concept of NEP, contained in the legislation, includes appropriate safeguards to preserve the integrity of the system and ensure the ability of every broker to compete.

Our intent is simple. We have taken great care to make certain that our changes do not impede the implementation of a national automated system, rather, that they enhance it.

At the same time, we want automation to be competition-neutral. That is, not to advantage any single segment of the custom broker community over another.

Unfortunately, after long hours of good faith negotiations with Customs where an agreement appeared to be close at hand, our talks with the Customs Service have completely broken down. We oppose that legislation in its present form.

Mr. Chairman, your committee has always been responsive to our industry's pleas that adequate funding be provided for Customs' commercial operations.

It is by now an acknowledged fact that this side of Customs is a money-maker for the government. Not only are the agency's commercial operations paid for by users fees assessed on the importing public, but for each dollar spent on Customs' commercial side, \$19 in revenues is generated.

In this budget-conscious era, where the expenditure of every government dollar is carefully scrutinized, Customs' commercial operations may be the best buy in town.

For its part, Customs loyally promises to dig in its heels and do it all. They talk of working smarter, and refer to their master plan which allows them to do more and more with the same number of people.

Customs determination is admirable, but it is dangerously unrealistic; grounded in a misplaced belief that the wonders of automation obliterate the need for competent human beings beyond the computer screen.

Customs can automate all it wants, but ultimately they still need qualified people to operate the computers and to provide specialized assistance.

The import specialist is a good case in point. No computer in the world will replace the work performed by the import specialist, who responds to questions and problems relating to classification and duties, or application of the relevant U.S. statute.

Thanks to the direction and support of this committee in the past, Congress has specifically allocated funding for additional import specialists, as well as for additional inspectors around the country.

Our members can attest to the shortage of manpower which continues to plague Customs, despite the advances in automation. Along the southern border, for example, Customs brokers report the frequent incidence of unmanned inspection booths and poor coordination between Customs and the Immigration and Naturalization Service, where, under current policy, the two agencies are manning the primary inspections of incoming vehicular traffic at our bridges on a 50 percent manpower basis, leading to traffic snarls and unnecessary delays that impede the movement of commercial cargo.

The CHAIRMAN. Mr. Brauner, I will have to ask you to summarize.

Mr. BRAUNER. This is the last sentence.

The CHAIRMAN. All right.

Mr. BRAUNER. We believe that Customs funding should be augmented to provide sufficient staffing levels and improved facilities throughout the country. The demand is particularly acute along the southern border, in view of the upcoming Free Trade Agreement with Mexico, where the volume of trade will increase dramatically.

I would like my entire written statement to be made a part of the record. Thank you, Mr. Chairman.

The CHAIRMAN. That will be done, Mr. Brauner.

[The prepared statement of Mr. Brauner appears in the appendix.]

The CHAIRMAN. The next witness is Mr. José Escamilla, who is the city manager of my home town. So, I have an intimate knowledge of some of the concerns and some of the problems there.

But Mr. Escamilla is also the chairman of the Border Trade Alliance and he is in a position to have some unique knowledge and experience. We are looking forward to his testimony.

STATEMENT OF JOSE A. ESCAMILLA, CITY MANAGER, CITY OF McALLEN, CHAIRMAN, BORDER TRADE ALLIANCE, AND VICE CHAIRMAN, TEXAS-MEXICO BRIDGE OWNERS ASSOCIATION, McALLEN, TX

Mr. ESCAMILLA. Mr. Chairman, thank you very much for allowing me the privilege of coming before you this morning. I would also ask, as my associates up here have said, to include the brief testimony that we provided for the record.

The CHAIRMAN. That will be done.

[The prepared statement of Mr. Escamilla appears in the appendix.]

Mr. ESCAMILLA. I would like to basically summarize some of the principal points and a few comments on each one of those.

The CHAIRMAN. Fine.

Mr. ESCAMILLA. I want to preface my comment by saying that I bring some of the frustration from several hundred people from most of the 40 ports along the southwest.

We feel that there has been a tremendous amount of progress made in the last few years, but we still feel that there are some

things that are necessary. And this is the vantage point from which we address the committee this morning.

The first point we made has, again, been said a number of times. But we also feel that the numbers of Customs officials are deficient along the southwest border. There is no question that, in most cases, 40 to 60 percent of the lanes are not staffed on a daily basis.

And I am talking from San Diego, CA to Brownsville, TX. Our port in McAllen, six or seven of the lanes, possibly, out of the 12 is the maximum that are being manned most of the time.

The CHAIRMAN. I will tell you, from personal experience the last time I was down there, my wife and I were considering going across the border. We drove down to the bridge, looked at the long line on the other side trying to come back to this side, and said, forget it. We just did not go.

Mr. ESCAMILLA. Yes, sir. That is exactly correct. That is the same problem we are facing. To compound the issue, one of the things that we see is that we feel that immigration—is further deficient than even Customs is with their staffing models.

If we look at the growth we have seen in the last couple of years, in our own port of entry, 1 million people a month has increased now to 1.5 million a month.

It is further increasing and that is further being compounded by reductions of staffing on both sides, not only the American, but the Mexican side.

On the issue of immigration inspectors, again, I think that the GAO statistics that they utilize—one inspector for every 200,000 inspections—basically shows that INS itself is greater than 167 percent deficient in the staffing necessary to do the analysis or the present inspections that are needed.

There are a number of other questions that we have. But the third point that I have is that U.S. Customs budget should, we think, identify the inspectors on a per-port basis. I know that that is difficult to do.

We find a lot of times what has happened is that, although both agencies have done yeoman's service and have done a tremendous amount of work and benefit, that what has happened are the administrative policies are negating congressional mandates.

As an example, veterans have preference. As a former Marine myself, I am pleased with that. But I am concerned because most seek to enter the system and then transfer before the position specifically is refilled. So, consequently, that creates problems.

We have other issues. We talk about the 370 people that have been funded. I do not think that these people wind up in primary and/or secondary.

Consequently, I hear that we are forever trying to catch up. We hear unofficially that some of these positions or funding last year for these positions has been used to pay over-time and a few other things. WAEs, for example (While Already Employed), comprise a great portion of the INS staffing.

And so, consequently, we have all kinds of problems relating to that. We feel that possibly greater inspection or audits should be had of these services.

Also, we feel that, although it is a very unpopular thing to discuss, that possibly the centralized management theory must be re-

visited. Several years ago I had the pleasure, I guess, of sitting through the 1-800-BE-ALERT tape that Mr. Von Robb forced us to listen to.

We retreated to our individual communities, and we began a task force and spent several hundreds of thousands of dollars to fund it.

This task force has grown to a million dollar a year expense now, as a combined law enforcement operation, and has been very successful.

The problem we see, again, is that a lot of the things we are finding is that the drug interdiction, as well as the apprehension of aliens, is not at the border crossings.

We are affecting the greatest majority of our efforts at those ports of entry. I think possibly we could better utilize our funds if we could have the benefit of some of those staffing levels, or the centralized port operations to be able to deploy some of those people to the check points.

I know we are out of time. I have a number of other brief statements to make, if I would be allowed to do so.

We are very pleased that the southwest border infrastructure has been put in motion. We are concerned, however, that, in effect, the same agency that has let it lapse to the condition that it has gotten to, is leading the maintenance and the planning process.

By the time that these officials and/or specific improvements are made, we are behind the power curve again.

We have gotten to the point in our community. That we have shifted a vast number of police to look at power shifts. We are putting the emphasis on staffing at the times when these volumes (crime) or these peaks are necessary.

And that could apply to some of the ports, for example, that are not having to go to 24-hour status because they do not have the personnel necessary to be able to do the job.

We also feel that there is a big problem with the GSA policy prohibiting the privatization of border infrastructure.

We are being told that we cannot privatize some of these systems and we cannot build at the local level much like we build the facility in our community.

Had we waited for the funding, we would still be in the queuing line trying to get funding from the Federal Government to build these things.

We feel also that there are a number of other things to be done that we possibly could help with. We have over 400 members that regularly participate available, and, in effect, provided, in this short time period, information to us on some of the items that we have listed in our testimony and want to offer our services, if we are asked to participate to help solve some of these problems.

The CHAIRMAN. Well, I will look forward to trying to study some of those things in more detail. I appreciate that.

Mr. ESCAMILLA. Thank you, Senator.

The CHAIRMAN. Mr. Mendelowitz.

STATEMENT OF ALLAN I. MENDELOWITZ, DIRECTOR, INTERNATIONAL TRADE AND FINANCE ISSUES, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. MENDELOWITZ. Mr. Chairman, Senator Packwood, I will be submitting a full statement for the record.

The CHAIRMAN. That will be done.

[The prepared statement of Mr. Mendelowitz appears in the appendix.]

Mr. MENDELOWITZ. I am pleased to be here today to discuss issues related to the U.S. Customs Service and its role in monitoring United States-Mexican cross-border trade.

The problems we discuss here are specific to the southwest border. However, they are also indicative of problems of Customs that are much broader. In order for Customs to make a permanent improvement in the situation, better inter-agency coordination and management at headquarters, as well as improvements in resource allocation along the southwest border need to be implemented.

We are currently addressing the broader management concerns in an ongoing assessment of Customs management systems.

Trade and commercial traffick between the United States and Mexico have grown significantly in recent years. The capacity of the existing border infrastructure to accommodate traffic is being strained, and anticipated expansion of trade is expected to intensify traffic pressure at the border.

Moreover, ongoing negotiations aimed at establishing a North American Free Trade area have raised concerns about the adequacy of infrastructure along the United States-Mexican border and the degree of coordination among the numerous entities concerned with border operations.

An inadequate number of Customs and INS inspectors was a primary obstacle to the efficient operation of southwest border crossings, according to most of the officials we interviewed along the border. These officials considered the shortage of inspectors to be the main cause of long waits to cross the border into the United States.

Concern with trade and traffic flow along the United States-Mexican border has also focused on the capacity of border facilities and its implications for necessary staffing levels.

Although Customs was involved with GSA's facility planning and recognized that additional staff would be needed for new facilities, it was often unable to fully staff existing border inspection facilities, to say nothing about new or expanded ones.

Customs officials, as well as INS officials told us that when the southern border capital improvements projects are completed, they might not be able to fully staff the new and expanded facilities.

Basically, capacity is being added while existing facilities are not fully utilized due to staffing shortages.

For example, San Ysidro, the largest crossing along the United States-Mexican border, has 24 primary lanes. However, only 16 of these lanes are open on average during the busiest periods of weekdays.

Similarly, the three inspection facilities serving the City of Laredo had a combined capacity of 16 primary lanes, but the maximum number of lanes open was 12.

In trying to determine future staffing needs related to an increase in trade, we found that neither Customs nor INS had an adequate method for determining staffing needs. Customs used two models to assist it in determining the number of staff that it needed at the border.

However, neither model was adequate to adequately measure how many inspectors were currently needed, or to reliably project how many would be required in relation to trade increases.

Nevertheless, we worked with these models because there were no better alternatives. Customs is currently working with outside contractors to develop more sophisticated models of the southwest border operations.

Both Customs models showed that Customs needed more than the 1,188 inspectors authorized for southwest border districts in fiscal year 1990: 276 more inspectors, according to one model, and 555 more derived from the other.

We found that the first model, an allocation model developed by Customs' southwest region had the fewest problems of the two.

Assuming that trade growth yielded a proportional increase in all traffic, i.e., trucks, private vehicles, and pedestrians, the Customs model indicated that a 100 percent trade increase would lead to a need for 1,370 more Customs Inspectors for the southwest border, as compared to fiscal year 1991 authorized levels.

And this is particularly important, because what we learned when Customs was authorized additional staff along the border this past year, was that it takes a long time to find the people, clear them, bring them on board, and train them.

So that even when new staff is authorized to meet staffing shortages, you do not get an immediate improvement in the situation along the border.

Customs has also identified a need for more support staff, such as clerks, computer specialists, and import specialists when the number of Customs Inspectors increases.

At Customs in Laredo, the agency had a 5-year freeze on hiring clerical support staff, while inspection staff grew by 34 percent. The Customs district in San Diego would like to have one support staff for every 28 inspectors; instead, there was one per 37.

Because they lack support staff, inspectors sometimes perform clerical and security functions. Performing these activities detracts from Customs cargo inspection and drug enforcement mission.

Simply authorizing and funding more positions will not solve all the staffing problems along the border. Both Customs and INS, along with business and community leaders, were concerned about the agency's ability to hire and retain staff along the border.

There is a widespread concern, as I mentioned, about the length of time that it takes to bring people on board. And they also have a problem keeping inspectors once they get them hired.

If I can wrap up, I would like to point out that in the Customs' southwest region, they recently filled 289 new positions after a lengthy and intensive recruiting campaign. However, during the same period, they lost 100 inspectors through attrition.

So, things need to be done to improve the recruitment and retention of staff along the border. Mr. Chairman, this concludes my

summary comments. I will be happy to try to answer any questions you might have.

The CHAIRMAN. Thank you. You said during what period of time they recruited that many and lost that many?

Mr. MENDELOWITZ. That was last year, over a several month period.

The CHAIRMAN. What do you think is the main problem with retention, of not having a higher retention rate?

Mr. MENDELOWITZ. Well, there are several problems. I think one, is Customs Inspectors have a very, low-graded career structure. The highest grade that a Customs Inspector can achieve is the grade of GS-9.

The CHAIRMAN. What does that pay?

Mr. MENDELOWITZ. GS-9 pays somewhere in the range of the 20's, I believe. I can check the specifics for you.

The CHAIRMAN. In the 20's?

Mr. MENDELOWITZ. In the 20's, I believe. Yes. About \$25,000.

The CHAIRMAN. That is the highest grade?

Mr. MENDELOWITZ. I would have to check to be certain. I can give you the exact number, thanks to my capable staff.

The CHAIRMAN. All right.

Mr. MENDELOWITZ. The GS-9 salary starts at \$26,798. And, at a Step 10, which is the highest step you can get to, and if you stay in that grade, it takes you 20 years to get there, you can get to a salary of \$34,835.

Now, Customs and INS are trying to raise the career ladder ceiling from a GS-9 to a GS-11. But this is a ceiling for someone who is expected to have qualifying work experience or a college education, be bilingual, be familiar with all sorts of Customs rules, laws, and regulations.

The CHAIRMAN. And take 20 years to get there.

Mr. MENDELOWITZ. It would take 20 years to get to the very top of the pay scale. So, what happens, of course, is that staff who are hired into inspector positions move very quickly up to Grade 9, they realize that they do not have a lot of opportunities, so they immediately begin looking for career alternatives that have higher earning potential.

And a number of other job categories, even within the Customs Service, offer the ability to achieve higher levels of pay and grade rank. So, they move as quickly as they can to where the career opportunities are.

I think another problem is that much of the border represents a fairly harsh and tough working environment: hot, dry during the summers.

The CHAIRMAN. Be careful what you say now. That is my home area. [Laughter]

Mr. MENDELOWITZ. I visited some of the inspection facilities. And, while someone who is driving through the border is concerned about the fact that they have to stand in line a long time, somebody working on the border is standing there all day in the midst of carbon monoxide fumes. And it is tough work. It is not easy work.

The CHAIRMAN. Yes. Mr. Brauner, you were talking about the shortfalls insofar as the number of people at INS, Customs, and the

rest. This committee, and I, in particular, fought long and hard with OMB over that trying to see that we were sufficiently staffed. But in this era of budget constraints, money is just not there.

Where do you think the biggest shortfall is in these categories, where, if we are prioritizing, we would say, this is the one where the problem is the most difficult, and this is the group in which we need more people. Where?

Mr. BRAUNER. Well, at the southern border it would be in the inspectional staff. In other areas of the country, it would be at the commodity specialist level where we need more staff. These are the people that will explain the law, that will check the documents that are presented to them. It cannot all be checked by the computer.

Particularly when you have a rather complicated Free Trade Agreement that will come into being at the border, a lot of problems will arise that the commodity specialists will be the only people that can solve it.

So, there will be a need further on down the line when the agreement is finalized for commodity specialists. I think presently inspectors are needed in other parts of the country. While we do need inspectors, the commodity specialists—and trained commodity specialists—are very important.

The CHAIRMAN. Mr. Escamilla, you were talking about centralized management. That is not the first time we have thought of that one. Why do you not get yourself in real trouble by telling me who you would like, if you picked amongst the various services, to put in charge?

Mr. ESCAMILLA. Mr. Chairman, we are trying to look at a project ourselves. I have learned very on not to shoot myself in the foot. So, I will try to answer that question by saying that it would not make any difference who does it; I think they are both capable.

I think Customs would be possibly the first one in line. But, even prior to doing that, I think because of the budgetary cut-backs, there are a number of other things that could be done.

I mean, if you are standing in line and you have people sitting back there in secondary not doing anything because of the 50/50 ratio that we operate under with Customs and Immigration—

The CHAIRMAN. Well, they were telling me they did not operate under 50/50. That is what I was pushing them on the other day when they were appearing before us. They said, we have made an adjustment for the ratio of workers that we have between the two services.

Mr. ESCAMILLA. Well, Mr. Chairman, I think sincerely that there is that thought here. But I think it takes time to permeate the system until it gets down to the bottom inspectors. And often, what we find, is that if we begin by better utilization of our staff—and that is what I mean by centralized port management. And I try to allude to that. Unfortunately, I ran over my time. But everybody that crosses that border goes through the same process, the same sort of degree of inspection.

It has been proven, I think, in several cases—and given time, I will bring the statistics if you want me to—that a very small percent—I would say less than maybe 20 percent—of the total people that access the border go into the country.

Yet, they are submitted to the same sort of inspection proceedings. And they are here and trying to cross the border with legitimate commercial needs and/or just to buy goods. And it makes no sense when we seem to bottleneck these things on this side.

The CHAIRMAN. Let me ask you about another one. I hear that we do not get enough cooperation and coordination between U.S. Customs, INS, and the Mexican side.

Everybody wants to hang something on the North American Free Trade Agreement. Here is a chance to solve all of the problems between the two countries. What are your thoughts in that regard? How can we get better coordination?

Mr. ESCAMILLA. I think we need to begin by what has been done in some of the communities already. I think there is some truth to that. I am concerned, because I think at the grass roots level we have been able to—

And I am not just addressing our area, but I think I am addressing all of the border trade. We have a very good relationship with the officials on both sides. I think that, unfortunately, as we travel away from the border, that relationship decreases proportionately to the distance.

And that probably manifests itself in the greatest fashion between Washington, DC and Mexico City. I think there is a tremendous amount of effort—

The CHAIRMAN. I must say, there is a lot of headway being made there for the first time in a long time.

Mr. ESCAMILLA. Oh. Yes, sir. Absolutely. Yes, sir. There is no question about that. But I am referring to the fact that, at the grass roots level, we are the ones that are there and we are the ones that are living there.

We are the ones that know most of the people. And, unfortunately, it is the system: it does not allow a lot of input from the local level. And, therefore, decrees come from both sides. It creates problems.

The CHAIRMAN. Let me ask you about the major change of Customs on the other side, the real turn over of Customs officials. Has it resulted in any change?

Mr. ESCAMILLA. Absolutely. Yes, sir. I do not have the newsletter that I got from Wepza with me, but 3,000 inspectors were terminated, which is something we would never see in this country.

The CHAIRMAN. That is right. That is absolutely amazing.

Mr. ESCAMILLA. And they have replaced them with young—not that I necessarily that I have anything against age; I am 46 going on 217.

The CHAIRMAN. Yes. Watch that, too.

Mr. ESCAMILLA. Yes, sir. But what we have seen is there a lot of energetic people wanting to get out there and get started, very professional, and we have seen that.

We drove, incidently, from Laredo to the new bridge—and we were the only ones there—and back to Laredo. But the level of professionalism by the Mexican Customs has increased dramatically. They respond.

And that is one of the beauties of local government. And that is what I am seeing the Mexican Government do. And, if I can get

one thing across, is that I would like to get that same type of response from the U.S. Government.

The CHAIRMAN. Well, gentlemen, thank you very much. I think that is helpful to us. I appreciate your attendance.

[Whereupon, the hearing was concluded at 11:17 a.m.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

[SUBMITTED BY SENATOR LLOYD BENTSEN]

CUSTOMS SERVICE BUDGET AUTHORIZATION
(Prepared by the Staff of the Senate Committee on Finance)

Thursday, June 11, 1992

This paper provides background information on Customs' FY 1993 budget request. The Customs Service sent detailed supporting documents to each Member's office before the April 8, 1992 Finance Committee hearing on Customs' budget authorization. The backup documents are also available in the Finance Committee.

Summary Table: Customs FY 1993 Budget Request

U.S. Customs Service
(Dollars in Thousands)

	FY 1992 Appropriation	FY 1993 (Proposed)	% Change
Salaries and Expenses of which:	\$ 1,266,305	\$ 1,324,070	4.6%
Commercial	\$ 754,299	\$ 779,170	3.3%
Non-commercial	\$ 512,006	\$ 544,900	6.4%
Operations and Maintenance (Air and Marine Interdiction)	\$ 175,932	\$ 138,983	-21.0%
Customs Forfeiture Fund	\$ 15,000	\$ 15,000	0%

(1) **Salaries and expenses.**--As shown in the table above, the Customs Service has proposed that the Committee authorize appropriations of \$1,324 million for salaries and expenses for FY 1993, covering 17,599 positions. These totals represent an increase of \$57.8 million and 186 positions over FY 1992.

(a) **Congressional actions on FY 1992 budget.**--The FY 1992 Treasury appropriation reflected several changes to the President's original FY 1992 budget. These changes included additional funds (\$10 million and 178 positions) to provide full year funding for new inspector hires that Congress approved in FY 1991; increased air program staffing (\$3.5 million and 30 positions) to provide crews for additional aircraft that were funded in 1990 and 1991; funding for entry and inspection aides in Michigan and California (\$1 million and 26 positions); transfer of funding for the Marine Interdiction Program to the Air Interdiction Program (\$7 million) and transfers of funds from the Office of National Drug Control Policy (\$7.05 million) for special projects in high intensity drug trafficking areas.

(b) Major changes to base for FY 1993.--The FY 1993 budget begins with FY 1992's base of \$1,266 million and 17,411 positions, and makes the modifications to the base identified below to result in a net increase in the base of \$38 million and 120 positions over the FY 1992 base. These modifications maintain current Customs programs; new initiatives are covered by the proposed changes identified in paragraph (c) below. The major changes to the base for FY 1993 are:

- An increase of \$7.3 million and 172 positions to annualize initiatives implemented mid-year in FY 1992 (including staffing initiatives in commercial services, administrative support and internal controls, expanding the canine training facility, and upgrading inspection equipment).
- Increases of \$1.9 million to annualize FY 1992 law enforcement pay reform, \$1.5 million to annualize FY 1992 government-wide pay reform, and \$7.4 million to annualize the FY 1992 pay increase.
- An increase of \$4.9 million to reflect the rent increase on Customs facilities along the southwest border.
- An increase of \$40.7 million to maintain current levels of operation, including FY 1993 pay raise and increased costs of health insurance and rent.
- A reduction of \$25.7 million and 52 positions. The reduction in positions reflects reductions associated with productivity savings in Business Service Centers, small recovery audits and with the reorganization of the Enforcement Program. The dollar value of these productivity reductions is estimated to be \$3 million. The remaining \$22.7 million decrease is attributed chiefly to non-recurring costs, principally first year costs associated with FY 1992 initiatives, such as the purchase of computer equipment and training (\$20.846 million) and a transfer from the Office of National Drug Control Policy for special projects in High Intensity Drug Trafficking Areas (\$7.05 million).
- A proposed offset of \$1.5 million from the COBRA surplus (user fee account) to offset in part increased costs in the Inspection and Control Program.

(c) New FY 1993 program changes affecting salaries and expenses.--In addition to the above changes in the base, the budget reflects an increase of \$19.7 million and 68 full-time-equivalent positions over the adjusted base to implement the following initiatives:

- \$8 million to institute a rotation policy for Customs agents. The proposal stems from the recommendations of a Blue Ribbon Panel established to examine allegations of mismanagement and corruption along the southwest border.
- \$3.2 million to contract out for regulatory audit services as an alternative to in-house auditors.
- \$1.6 million and 66 positions (funding for only one quarter in FY 1993, or the equivalent of 17 positions, is requested for FY 1993¹) to expand Customs' money laundering investigative capabilities.
- \$1.7 million and 85 positions (funding for only one quarter in FY 1993, or the equivalent of 21 positions, is requested for FY 1993) to hire additional accountants, contract administrators, technicians and support staff to improve Customs' internal controls.
- \$800,000 and 30 positions (funding for only one quarter in FY 1993, or the equivalent of eight positions, is requested for FY 1993) to combat corruption on the Mexican border.
- \$1.4 million and 54 positions (funding for only one quarter in FY 1993, or the equivalent of 14 positions, is requested for FY 1993) to hire additional canine teams. The President's budget also calls for a \$4.6 million transfer from the Office of National Drug Control Policy Special Forfeiture Fund to expand the canine team training facility.
- \$1 million and 32 positions (funding for only one quarter in FY 1993, or the equivalent of eight full time positions, is requested for FY 1993) to expand Customs' trade fraud program. Funds and staff would be used to improve: (a) interdiction of illegal hazardous materials; (b) Customs' ability to identify goods that do not qualify for preferential treatment under free trade agreements; (c) efforts to identify and interdict fraudulently imported or exported agricultural products; and (d) efforts to combat computer crimes and electronic fraud.
- \$2 million to replace obsolete personal computers.

¹ Customs estimates that three-quarters of the fiscal year will have elapsed before the new positions are filled. Therefore, the agency is requesting funding in FY 1993 for only one-quarter of the total number of new positions.

(2) Air and Marine Interdiction Programs.--As indicated in the table on page one, the FY 1992 appropriation for operation and maintenance of the marine and air interdiction programs was \$175.9 million. This amount was \$54.5 million above the President's requested budget and reflects amounts added in the FY 1992 Treasury appropriations bill for increased funding for marine operations and marine vessel replacement, and for the purchase of support helicopters and other aircraft.

Non-recurring costs valued at \$47.5 million for the FY 1992 helicopter, aircraft and vessel purchases reduce the budget for FY 1993 by that amount. These were one-time purchases of support vehicles for which appropriations had been provided in the FY 1992 appropriation. The proposed budget would add back \$4.1 million to maintain current levels of operation and to annualize the costs of operating the recently purchased support helicopters. The budget also proposes an increase of \$5.7 million to replace aging marine vessels. Thus, the total budget request for the upcoming fiscal year is \$139 million, or \$37 million less than FY 1992.

(3) Customs Forfeiture Fund.--The Customs Forfeiture Fund was established in FY 1985 and is subject to both permanent and direct appropriations. The permanent appropriation funds the general operation of the forfeiture process, and provides for awards to informers, the satisfaction of liens, claims of parties to the property in question and equitable sharing payments made to other Federal, State and local law enforcement agencies for their assistance in seizures. The direct appropriation funds such discretionary expenses as the purchase of evidence of smuggling and of violations of currency transaction reporting requirements, the use of equipment to assist in law enforcement efforts, the reimbursement of private persons who cooperate with Customs in investigations and undercover operations, and the payment of certain overtime salaries and expenses.

For FY 1992, Congress appropriated \$15 million for the discretionary expenses of the Customs Forfeiture Fund. The Administration's budget for FY 1993 again requests a \$15 million appropriation.

**CHAIRMAN'S PROPOSAL ON U.S. CUSTOMS SERVICE
FY 1993 AND FY 1994 BUDGET AUTHORIZATION**

(In Thousands of Dollars)

	FY 1992 Appropriation	FY 1993 Request	Chairman's Proposal FY 1993	Chairman's Proposal FY 1994
Salaries & Expenses:				
Commercial	\$ 754,299	\$ 779,170	\$ 798,470	\$ 830,408
Non-comm'l	\$ 512,006	\$ 544,900	\$ 536,582	\$ 558,045
TOTAL	\$1,266,305	\$1,324,070	\$1,335,052	\$1,388,453
Air & Marine Interdiction	\$ 175,932	\$ 138,983	\$ 138,983	\$ 144,542
Forfeiture Fund	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,600

**CHAIRMAN'S PROPOSAL ON U.S. CUSTOMS SERVICE
ADDITIONAL PROVISIONS**

Studies

1. Analysis of high attrition rate in Customs' Southwest Region, with an emphasis on southern border ports-of-entry, and recommendations for remedying the problem
2. Proposals for staffing the border ports of entry that have been or will be built, expanded, modernized or otherwise improved under the Southwest Border Capital Improvements Program
3. Feasibility of moving the customs office in Portland, Oregon, to the Portland airport
4. Feasibility of placing a Customs agent in the Medford/Grants Pass District

PREPARED STATEMENT OF HAROLD G. BRAUNER

Mr. Chairman, I welcome this opportunity to appear before you to discuss authorization of Customs funding for fiscal year 1993 on behalf of the National Customs Brokers and Forwarders Association of America (NCBFAA). I am Harold Brauner, President of Brauner International Corp. and the newly-elected President of NCBFAA.

NCBFAA is, of course, the national association representing customs brokers and freight forwarders in the U.S. and includes more than 30 affiliated local forwarder/broker associations. Forwarders deal with exports, while brokers handle imports—and most often, these people are one and the same.

Our industry shares a unique relationship with Customs. We live with the agency day-to-day and, as such, we've seen Customs at its best and at its worst. It is a relationship of mutual dependency, with the professional customs broker handling the myriad of details for over 95 percent of all entries—delivering Customs from the chaos of having thousands and thousands of importers file nearly 10 million formal entries per year. Perhaps nowhere does Customs have a better friend or a more discerning critic. When the agency does something right, we're there cheering the loudest. By the same token, when we see the agency slipping off course, you can count on us to be the most vehement in our criticism.

It is from this perspective, that we come before you, Mr. Chairman, to voice our concerns and share our insights about this agency we know so well.

Overall, good things are happening at Customs. The agency is handling more imports than ever before and, by and large, the processing of entries has never been smoother. Our members along the southern border, in particular, have described the open communication between Customs and the trade community, with district officials much more accessible when problems arise. The newly appointed ombudsmen in the districts are likewise viewed as a very positive move. The spirit of cooperation ushered in by Commissioner Carol Hallett just 3 years ago has helped to pave the way for these tangible improvements. Commissioner Hallett's leadership has also gone a long way towards restoring confidence in the battered agency she first encountered. For our industry, this is a refreshing change and we hope to see more of it.

CUSTOMS RESOURCES

Mr. Chairman, your committee has always been responsive to our industry's pleas that adequate funding be provided for Customs' commercial operations. It is by now an acknowledged fact that this side of Customs is a money maker for the government. Not only is the agency's commercial operations paid for by user fees assessed on the importing public, but for each dollar spent on Customs commercial side, \$19 in revenues is generated. In this budget-conscious era, where the expenditure of every government dollar is carefully scrutinized, Customs commercial operations may be the best buy in town.

Yet, despite Congress' and Customs' commitment to providing adequate resources for Customs commercial responsibilities, we are concerned that in the practical application of these resources to operations, Customs' commitment often fades. This holds especially true today as Customs assumes ever greater responsibilities in the escalating war on drugs, creating enormous pressure for Customs to short-change its commercial functions in the rush to fulfill its drug interdiction responsibilities.

We voice these concerns without in any way questioning the importance of the war on drugs. It is indeed a national problem that has reached crisis proportions. Yet, the call-to-arms against drug dealers cannot be allowed to overwhelm Customs' responsibility to facilitate the flow of cargo and ensure the collection of revenues that are a consequence of imports. This too is a vital function—both for the U.S. government who needs the revenues and U.S. industry, whose production levels and efficiency depends on the smooth flow of cargo.

This is a message we have delivered before and must repeat again: the distinction between Customs commercial and enforcement roles must be maintained. We urge that *commercial* personnel be committed to function as *commercial* personnel. When money is allocated to the commercial side, we urge that adequate resources be applied to ensure that is where the money is actually spent. Importers are, after all, paying dearly for these services through the Customs user fee. We, therefore, ask this Committee to remain vigilant to ensure that there is a clear demarcation between Customs' commercial and enforcement functions.

For its part, Customs loyally promises to dig in its heels and do it all. They talk of "working smarter" and refer to their master plan which will allow them to do more and more with the same number of people. Customs' determination is admirable, but it is dangerously unrealistic—grounded in a misplaced belief that the won-

ders of automation obliterate the need for competent human beings beyond the computer screen.

Customs can automate all it wants, but, ultimately, they still need qualified people to operate the computers and to provide specialized assistance. The import specialist is a good case in point. No computer in the world will replace the work performed by the import specialist, who responds to questions and problems relating to classification and duties or application of the relevant U.S. statute. Thanks to the direction and support of this Committee in the past, Congress has specifically allocated funding for additional import specialists, as well as for additional inspectors around the country. And, while the numbers of import specialists and inspectors has increased, we now find that too many of the people who are filling these positions are poorly trained and ill-equipped to handle the rigors of the job. These are not positions where mere numbers will suffice and Customs must place greater emphasis on ensuring that there are qualified, competent import specialists and inspectors in place.

Automation also creates a particular demand for competent individuals to perform the more routine, but no less important, tasks of receiving entries and ensuring that the necessary information ultimately reaches the import specialist. This is a vital link in the automated process which can no longer be ignored as we move closer and closer to a paperless environment. Customs must commit itself to training and developing a team of skilled employees to master the details of this all-important function.

Our members can attest to the shortage of manpower which continues to plague Customs despite the advances in automation. Along the southern border, for example, customs brokers report the frequent incidence of unmanned inspection booths and poor coordination between Customs and the Immigration and Naturalization Service—where under current policy, the two agencies man the primary inspections of incoming vehicular traffic at our bridges on a 50 percent manpower basis, leading to traffic snarls and unnecessary delays that impede the movement of commercial cargo. We believe that Customs funding should be augmented to provide sufficient staffing levels and improved facilities throughout the country. The demand is particularly acute along the southern border in view of the upcoming free trade agreement with Mexico, where the volume of trade will increase dramatically. Customs must be provided adequate resources to enable the agency to keep pace with this increased level of trade.

At the same time that additional resources are provided, it is important that these resources be managed properly. A situation in Laredo, Texas offers a good example of how staffing decisions can have a disruptive effect on the conduct of trade. Customs officials recently announced that, in order to make room for 10 additional import specialists, they would move the Port of Laredo import specialists to the Columbia/Solidarity bridge—22 miles from Laredo, where the roads on either side of the bridge are in terrible condition. If this move is allowed to take place, the cargo will be in Laredo, customs brokers will be in Laredo, but the import specialists—who must examine the documentation and make decisions about whether to release the cargo—will be far from it all at a new bridge which has almost no commercial traffic, since the roadways are not now suitable for trucks to travel over. This does not make sense from a practical standpoint and will only cause further delays as cargo languishes in Laredo waiting for paperwork to be couriered back and forth. The addition of employees should not be cause for Customs to disrupt the smooth operations of a particular port.

TORT CLAIMS FOR DAMAGED CARGO

One particular troubling consequence of Customs dual roles as facilitator of commercial cargo and enforcer of trade and drug laws is the rising incidence of damaged cargo. While inspections and searches must, of course, be performed, Customs agents too often perform this duty with reckless abandon, without concern for the damage left in their wake. Southern border brokers are witnesses to this—reporting frequent examples of Customs agents ripping containers open, carelessly destroying the packaging, pulling samples out of the container and often damaging the product itself. Over time, this can amount to a significant amount of damage.

Part of the reason for this disregard for the property they are inspecting is the fact that Customs is not held accountable for the damage their agents cause. Importers or others who have suffered property damage at the hands of Customs should be entitled to be compensated for their loss. NCBFAA urges Congress to enact legislation to allow tort claims against Customs for damages caused by its employees. We think this will go a long way towards curbing needless damage caused by Customs' inspections and searches.

CUSTOMS MODERNIZATION

The effort to modernize the statutory basis for Customs operations has been underway for several years now and in time, Mr. Chairman, the House may be sending over to you their version of how this should be accomplished. NCBFAA has been a leading participant in this endeavor. Updating the statute, removing the impediments to full automation, creating the framework for a more efficient, streamlined Customs Service—these are goals to which NCBFAA fully subscribes and we have struggled to craft a legislative proposal that will achieve this end without endangering the quality and integrity of the entry processes in their practical application.

It is important for the Committee to recognize how this bill affects our industry. The legislation will dictate new rules and establish a new environment in which we will conduct our business. Customs brokers, after all, are on the front lines, representing our client's interests with Customs. We must pay for and operate the automated systems by which the vast majority of our business will be conducted. It is our industry alone that will undergo the upheaval that revolutionary and unproven concepts will create. We, sir, are most at risk if Customs errs.

It is simple-minded to say that "this is technological advance all or nothing." These are highly complex issues, where a misstep can have disastrous consequences for Customs import processing system, as well as to drive many customs brokers out of the business.

The core of our interest lies within the national customs automation program provisions of H.R. 3935. It is national entry processing—which permits the remote filing of entries from anywhere in the country—that affects our competitiveness and that carries such risks for the efficient operation of Customs import processing. For months now, we have engaged in intensive negotiations with Customs to ensure that the concept of NEP contained in the legislation includes appropriate safeguards to preserve the integrity of the system and ensure the ability of every broker to compete.

Our intent is very simple. We have taken great care to make certain that our changes do not impede implementation of a national automated system, rather that they enhance it. At the same time, we want automation to be "competition-neutral"—that is, not to advantage any single segment of the customs broker community over another. Specifically, the following are three key elements necessary for our support of the automation provisions of the Customs modernization legislation:

1. A provision which specifically articulates the requirements for an entry to qualify as "fully automated,"—and that "partially automated" and "non-automated" entries continue to be handled as they are under present law.

In order to work well, NEP is dependent upon a totally paperless environment. However, a fully automated entry is not always possible. At these times, when there are exceptions to full automation (that is, when release cannot be performed in a paperless mode) and there are paper documents incorporated in the entry process, we propose that, as under current law, ultimate responsibility for the entry be fixed with the District Director in the port of release—that is the logical party since the vast majority of the transaction takes place at that location. This means that the paperwork for the entry and the decision to release the cargo would occur at the same location where the cargo is physically located.

This will ensure the integrity of the process when a fully automated transaction is not possible and keep in place a system that, over the years, has proven effective for the paper release of cargo. This is particularly necessary in order to release cargo where electronic systems fail.

2. We are seeking a provision with a new definition of "Customs business" that will include requirements as to who can prepare and file entries and entry summaries, both automated and nonautomated (thereby ensuring that data is prepared and filed only by the importer or his licensed customs broker) and a provision which permits only importers or brokers who are qualified filers of electronic entries to convert paper invoices to automated form. Presently, Customs establishes rigorous qualification and examination requirements upon the broker community—because, after all, we are managing a sensitive public function involving millions of Federal dollars. We must make sure that, in a new and automated environment, those conducting business meet these same standards of excellence and accountability.

3. We support language inserted by Trade Subcommittee Chairman Sam Gibbons that requires national entry processing to be fully tested and evaluated before it is implemented nationwide. If anything, we would like to see more teeth in this provision to make certain that the program works well before it is put in place.

Our proposed changes strike an important balance. They preserve the present system for paper, but open the door for fully paperless automation for 96 percent of

the entries. They are pro-automation, but also protect the small broker and preserve the integrity of the import processing system.

Unfortunately, after long hours of good faith negotiations with Customs where an agreement appeared to be close at hand, our talks with the Customs Service have completely broken down. After agreeing initially with our concept for having all paper documents submitted at the port designated for examination of the merchandise, Customs did a complete about-face when we presented language to them implementing this understanding. Under their scenario, after 3 years, paper could be filed anywhere—not just at the port where the cargo is examined.

This is unacceptable and NCBFAA has no choice but to oppose the House bill which is scheduled for Subcommittee mark-up today. We will be discussing these issues with you in greater depth when the Committee begins looking at Customs Modernization legislation. For now, we wanted you to be aware of the highly contentious issues which now surround H.R. 3936.

EXPORT ENTRY SYSTEM

As the trade community witnesses the streamlined operations that automation has brought to the processing of imports, the possibilities for creating a mirror image of that system to handle exports becomes very appealing. We are now realizing the value that an automated export entry system would have for the U.S., replacing an antiquated, unreliable way in which we now handle the export of goods.

It is a sad fact that our census data on exports is so embarrassingly inaccurate that some have suggested that we use our trading partner's import data to calculate U.S. exports. A recent GAO report, for example, identified chronic underreporting of U.S. exports in the range of \$15 to \$20 billion annually—and that is considered a conservative estimate. This involves far more than a routine gathering of statistics; it determines the size of the reported trade deficit thereby influencing the value of the dollar and impacting the various financial markets. Nearly everyone close to the process agrees that the trade deficit is routinely overstated by large numbers simply because of the poor quality of the system for collecting that data.

This also is a matter of dollars and cents for the U.S. government. The law requires the government to collect the Harbor Maintenance Fee on exports, as well as imports. Yet, the GAO has reported that there is a \$20 to \$22 million underpayment of this fee by domestic shippers and exporters. This has come about as the result of a haphazard collection system—the same system that spawns inaccurate export data described above. Payments are voluntarily filed quarterly and depend on the awareness and good faith of the exporter. Forwarders who suggest that a client pay his harbor maintenance fee, as required by law, have on occasion lost that business. A mandatory reporting system on exports could facilitate even-handed enforcement of the fee.

And finally, in reviewing every exportation for possible application of export controls, Customs has engaged in a time-consuming and imprecise process. If high-risk exports could be identified quickly and efficiently, trade not subject to State, Defense and Commerce Department controls could be substantially facilitated.

The elements of a solution are relatively simple. An exporter or forwarder would file an export entry with Customs' Automated Commercial System (ACS), which would in turn process the data and collect the Harbor Maintenance Fee. This would replace the need for the Shipper's Export Declaration (SED), presently required from the carrier. Information, once assembled, would be reported electronically to the Bureau of Census and export controls personnel at Commerce based on their requirements. The cost of this system (a preliminary estimate of \$38 million over 5 years is higher than necessary and can be reduced) could be absorbed by enhanced fee collections and could therefore be revenue neutral.

Legislation will be necessary to implement the system, as would approval to underwrite the cost through fee collections. Customs is already developing its own proposals in this area and NCBFAA is in the process of working with the agency on these efforts. We would greatly appreciate having your support as a concrete plan evolves.

Mr. Chairman, on behalf of NCBFAA, I want to thank you for inviting us to testify and for your consideration of our viewpoints. Your committee has done an outstanding job in authorizing the necessary resources for Customs and in guiding the agency's operations firmly and decisively. NCBFAA looks forward to working with you towards comparable improvements in the future.

PREPARED STATEMENT OF JOSÉ A. ESCAMILLA

Mr. Chairman, Senators and other honored guests. My name is José A. Escamilla. I am the City Manager of McAllen, Texas. My testimony and comments today are the composite of 9 years experience as City Manager, my 8 years of involvement with the Border Trade Alliance, and 12 years of involvement with the Texas Mexico Bridge Owners Association.

Upon receiving your invitation to testify today, in addition to the issues that the Border Trade Alliance discusses daily, we sent a fax-letter border wide inviting other observations in preparation for today's hearing. My testimony will reflect the numerous responses we received to that notification of your hearing.

I want to start by saying that the United States Customs Service has made considerable effort in the last several years to be sensitive to substantial commercial interests of the border economy while not giving ground to the criminal element. It is my sincere feeling that the Inspection and Control Element of the USCS is grossly understaffed on the US-Mexico Border in spite of continual efforts on the part of the Congress to provide assets for new inspectors. I want to mention at this juncture that the Immigration and Naturalization Service complement of inspectors is also undermanned, and, according to our latest assessment of these numbers the problem with INS inspectors is more severe than with Customs inspectors.

Mr. Chairman, we have been dealing with this problem for decades as City Managers, Bridge Operators and The Trade. It is our opinion that until the United States Customs Service prepares its inspection personnel budget on a Site or Port Specific basis that this problem will never get solved. This would allow us as bridge operators, cities, port authorities, and commercial interests to make calculated and analytical observations to Customs and to you the Congress in advance of the Congressional Authorization and Appropriations process. The way the process works now, there is no established Table of Organization and Equipment (TOE) which we have as a basis to work from or to analyze for appropriate recommendations.

Mr. Chairman, as you are well aware, there is an agreement between the Customs Service and the Immigration Service to jointly man the lanes, whether at primary or secondary. It is a border-wide observation that the INS inspectors are more deficient in numbers than the Customs Inspectors. There needs to be adjustments in the INS numbers in order to make the Customs Inspectors numbers more meaningful.

When the border community talks about the two halves of manpower that fundamentally comprise the staffing of an international port of entry, we feel we can no longer avoid the topic of Centralized Management for the Ports of Entry. Today, without NAFTA, there is in excess of \$65 Billion dollars in cross border trade. These numbers will continue to burgeon. In the mean time we still do not have a designated single "boss" at the Ports of Entry. As long as this situation persists, it doesn't matter how many Customs and INS inspectors there are, they will not be deployed and engaged to their full efficiency.

Historically, the issues of Customs Manpower, INS Manpower and Facilities, the bridges and Customhouses facilities, have been discussed separately; however we do not have the luxury of addressing or dealing with them separately anymore. Each of these issues is part of a system which make a port of entry or zone of the border work or not work. Therefore, I want to mention at this point a few major points about physical facilities.

1. Without the Southern Border Capital Improvement Program the border would be in an infrastructure shambles. The program upgraded many of the dilapidated facilities and has allowed communities which were previously unable to get new facilities, back into the trade business. But the program dollars are about exhausted.

2. Additional infrastructure is needed now. Even with the strides made because of the Southern Border Capital Improvement Program the entire border needs additional facilities; some communities or economic zones need two or three new facilities right now. Consequently, I want to observe to you that:

A. Some of the existing facilities need to have extended hours. In several instances where commercial truck traffic is particularly great this will necessarily mean 24 hours of service or access by the trucks. This will maximize the facilities as they exist and relieve some of the congestion on the bridges until more facilities can be built.

B. Several of the busiest communities are in the fiscal position to build AND PAY FOR the entire infrastructure in coordination with the US and Mexican Federal agencies. We would be able to organize the Mexican side financing for the approach roads, the Mexican Customhouse facility and the international bridge. Also we could accommodate the need for US side approach roads and the US portion of the international bridge. However, as was the case in the

past, when, for example, at the Hidalgo Bridge Crossing, we as cities were able to build the US Customhouse and Commercial Facility, we are precluded from doing that *today* by a General Service Administration policy of not allowing privatization of Customhouse facilities unless we agree in advance of construction to give the facility to the government. This is economically impractical and unfeasible for the cities or counties to do. I can assure you that if the committee were able to get this policy changed that several of the projects which have been in the planning stages for some time would be able to move forward.

PREPARED STATEMENT OF CAROL HALLETT

Mr. Chairman and members of the Committee, I am pleased to come before you today to present the Customs Service fiscal year 1993 budget request.

This year we are requesting appropriations of \$1,479,553,000 for Customs programs. This figure includes \$25,440,000 for the implementation of nine new initiatives which will augment the work now being done by Customs.

The challenges we confront today are great. The Customs Service, as a major revenue producer and the primary border enforcement agency responsible for enforcing laws and regulations governing international traffic and trade, confronts major challenges today in accomplishing this mission. Customs provides a broad spectrum of commercial, enforcement, and inspection services to the American public. Every year, Customs processes hundreds of millions of passengers, and millions of shipments of merchandise, carriers, and vehicles, in a swift, efficient manner, while at the same time inhibiting the influx of contraband materials, pirated copies of protected merchandise, and articles dangerous to the general public. Despite somewhat static economic conditions which have caused slowdowns in some sectors, the role of this agency in the economy and in law enforcement has continued to grow.

Yes, the challenges we meet today are great, but the challenges we will face in the very near future are even greater. The amelioration—or, in some instances, elimination—of trade restrictions between ourselves and our trading partners is likely to greatly accelerate the rate at which goods enter our shores. The result will be an increased workload for Customs employees and a greater risk from unscrupulous persons who try to camouflage their prohibited goods in otherwise innocuous shipments. Indeed, in the next 10 years, the men and women of the Customs Service could face a volume of trade considerably greater than that which they currently encounter. As in the past, the trafficking in illicit narcotics will continue to be a major problem. There is, and will be, much to do.

I intend to address the primary issues and activities that are an everyday part of the Customs mission. I will review our recent achievements and present, in the course of my review, the new initiatives proposed for the coming fiscal year.

As we previously informed this Committee, I have instituted an integrated planning process to measure our successes and chart our future. By the use of this plan, we have identified several key needs which are outlined in the following enhancements. Customs has proposed nine initiatives which were conceived and developed in conjunction with the Five-Year Plan. These initiatives are essential to the performance of the day-to-day work Customs staff must do in order to collect the revenue and protect the borders. We like to measure the level to which we successfully perform our mission in terms of the goals that have been set. Our measurement is on-going, as is our mission, and subject to adaptation and revision as conditions change domestically and abroad. At this time, as identified in our Five Year Plan, these are the issues and activities that are most important to us and to the public. In the design of this plan, we have identified all our activities in terms of "facilitation," "enforcement," and "management."

COMMERCIAL SERVICES

A primary function of Customs, dating back to the *Customs Organization Act of 1789*, is the collection of revenue. In the past several years, formal entries of goods processed by Customs have risen to all-time highs, approaching nearly nine million entry summaries processed in fiscal year 1991. Customs continues to improve the quality of its service to the trade community by effectively streamlining its processing, augmenting its programs for information dissemination, and enormously increasing its interaction with the trade community.

By providing further enhancements to Cargo Facilitation and Selectivity Targeting, we will continue to diminish delays that hinder the international flow of goods, while maintaining our essential role in the enforcement of trade regulations.

We continue our efforts to automate quota, visa, and other agency requirements through the Visa Query system. Visa Query permits both trade and Customs users to determine visa requirements for textiles by commodity and country of origin.

PAPERLESS PROCESSING

By use of our superb automated systems, which have enjoyed vastly expanded public participation, we have set a goal to process 75 percent of all Customs transactions and collections in a paperless mode by the year 1995. Currently, 31 percent of the cargo entries that cross our borders are received without the delays inherent in paper processing. Fifty-one percent of southern border line release shipments and 18 percent of northern border line release shipments are now paperless.

An early achievement in meeting our goal has been a joint effort with Reebok International. Reebok is our first paperless entry customer in the Northeast region.

NATIONAL ENTRY PROCESSING

National Entry Processing (NEP), currently under consideration by the Congress, will be a major change in how we conduct business with the trade community. It will increase both the performance and the efficiency of entry processing by employing advanced electronic communications and processing techniques. This system is mutually advantageous to Customs and the trade community. Timeliness and nationwide uniformity of Customs Service decisions will be assured. In fulfilling these objectives, NEP will provide tangible benefits to the trade community and the Customs Service.

REGULATORY AUDIT

Regulatory Audit has assumed an increased role in Customs efforts to control increasingly complex transactions, especially those involving foreign-held multinational corporations. As Customs audits focus on complex trade control problems, especially free trade agreements, the number of audit hours—and corresponding duty collections—have grown.

Looking at our Regulatory Audit program, one can see that we have been very successful in returning revenue to the government. Our return on investments in national audits shows an impressive \$16.19 added to the Treasury for every dollar invested. In fraud audits, the average return is a respectable \$11.97 for every dollar spent. Customs audits of multinational firms proves strongly that the Regulatory Audit Program is a productive, cost effective tool in the fight against fraudulent trade practices.

We will continue to make progress in fiscal year 1993 by concentrating on foreign-owned firms with more sophisticated audit targeting methods, and by investigating free trade agreement violations. We are increasingly led to this position, which takes advantage of the combination of revenue plus enhanced trade control. It is less intrusive for business and more effective for the Government. In order to better perform these audits, we are requesting \$3.2 million, for contract services.

COLLECTIONS

The U.S. Customs Service collected almost \$18 billion in revenue in fiscal year 1991. It should be noted that a large percentage of this revenue is now paid automatically and electronically without costly paperwork processing.

With significant industry help, we have made great headway with our Automated Clearing House (ACH) collections. In the past, when brokers or importers paid their fees, Customs received individual checks for each entry. Today, these payments are being made electronically through the banking system. Importers, under an agreement to Customs, authorize direct withdrawal from their accounts. Currently, we are processing about 40 percent of our collections electronically, nearly \$30 million in revenue each day. This is another example of a win-win relationship between the Customs Service and the international trade community.

LAND BORDER PROCESSING

During fiscal year 1991, two departures in landborder passenger facilitation began as tests, one on each of our northern and southern borders. The commuter lane test in Blaine, Washington, called PACE (Peace Arch Crossing Entry), facilitates 10,000 local low-risk travelers through the port, freeing the other primary line inspectors to concentrate on remaining traffic. Additionally, carpool lanes are now in use at 6 of the 24 inspection lanes at San Ysidro. These lanes have reduced the volume of traffic by encouraging frequent-crosser to carpool. Both tests have shown positive

progress at their mid-year review. In fiscal year 1992, both programs will be fully and finally evaluated, and plans will be made for possible expansion.

The concept of team enforcement processing was successfully tested and became the standard enforcement method for the southwest border beginning August 1991. This method, called STOP (Southwest border Team Oriented Processing), was developed to raise the level of risk that smugglers face through unannounced blitzes.

The Interagency Border Inspection System (IBIS) has been implemented at most major airports and is now expanding to land border ports of entry. "Imagery," a system of capturing and sharing digitized images, is being installed at 50 major airport and enforcement sites. We are also scheduling installation at land border ports.

In fiscal year 1991, the Canine Enforcement program trained and fielded 121 new canine teams. The fiscal year 1993 budget request includes \$1.4 million and 14 FTE to allow Customs to hire 54 additional canine teams.

AIR PASSENGER PROCESSING

In the 1990's we want to fully implement our Air Passenger processing concept. This plan changes the methodology of processing air travelers from one-on-one interviews to a refined "selective" process. This allows Customs to focus its attention on high-risk travelers or flights, while the vast majority of passengers are permitted to proceed through the Customs area virtually unimpeded. In fiscal year 1991, we averaged a processing time of less than 15 minutes per flight, yet our enforcement results have more than doubled.

We have also improved the processing of passengers with the use of Advance Passenger Information, which allows airlines and foreign governments to electronically transmit passenger manifests to Customs prior to arrival of an aircraft. With a standard global approach towards the Advance Passenger Information System (APIS), we can address aviation security issues, enhance the facilitation of the inspection process, automate inbound and outbound controls, and achieve greater enforcement. With this system, Customs can process flights en route, especially as the border agencies worldwide become more interactive.

At present, about 8 percent of the air passengers arriving in the United States are inspected with the use of API, with nine airlines and two foreign governments transmitting API for flights arriving at 11 U.S. airports. Customs is loaning document readers to airlines to assist in the collection of API and, to date, 537 readers have been approved for loan.

INTERNATIONAL TECHNICAL ASSISTANCE

The U.S. Customs Service has assisted foreign Customs administrations in advancing their service and thereby enhancing world trade.

Our persistence in trying to get the Japanese Customs Service to modernize its methods and policies under the auspices of the structural Impediments Initiative (SII) is showing signs of progress. Currently, it takes Japanese Customs more than twice as long as it takes U.S. Customs to release its cargo. As a result of the SII push, Japanese Customs is now considering an increase in service hours. They are focusing on ways to ensure uniformity and certainty through a strong bindings ruling program a pre-file system.

Because of the inevitable need for the former Soviet-bloc countries to trade with Western countries in order to survive economically, we are making efforts to provide technical assistance in modernizing and facilitating trade. For instance, the newly-independent Baltic Republics of Estonia, Latvia, and Lithuania have been added to the list of countries eligible for U.S. technical assistance. Customs has received a grant from the Agency for International Development to help these countries to gain effective control of their own borders. Although the twelve former Soviet Republics have not yet qualified for the full scope of U.S. assistance, Customs has been working with the Russian customs administration, providing information about our laws and regulations, and about international rules and trade standards as well. U.S. Customs employees and Commonwealth of Independent States members have come together to explore possible ways in which their customs operations may be improved.

Also, U.S. Customs is working with Singapore to develop an electronic visa information system that will eliminate thousands of paper visas received from Singapore yearly.

We have provided substantial ADP assistance and are prepared to give the software we have developed to any country in order to support customs automation worldwide.

CUSTOMS TRADE POLICY SUPPORT ROLE

With the growing complexity of world trade, Customs has continued to implement programs which support improved and increasingly complex international objectives and to expand Customs role in U.S. trade policy. Customs is playing a key role in providing technical advice for trade negotiations, and has increased its trade outreach with foreign countries which could benefit from our expanded trade programs. For example, we have established an "Andean Help Desk," staffed with Spanish-speaking Customs employees, to assist importers from that region. It has become a widely-respected, service-oriented asset of the Customs Service.

TRADE ENFORCEMENT

We believe we have been very successful in balancing our facilitation measures with effective commercial enforcement. The primary target of our trade enforcement efforts has been the illegal transshipments of goods through third party countries in order to conceal their true country of origin. In fiscal year 1991, textile shipments originating from China were the principal transshipments offender. Customs has also discovered transshipment violations in shipments originating from Fiji, Hong Kong, Macao, Panama, Portugal, and Taiwan.

In one instance, a shipment of Chinese sweaters valued at \$110 million was denied entry because it was found to have been transshipped through Macao. Customs Operation Q-Tip, which focused on illegal Chinese textile shipments, uncovered an operation involving 130 importers in 14 States, and seized over \$11 million in bank deposits and property.

Customs trade enforcement officials also targeted Chinese firms alleged to have used prison labor in producing their goods. We have issued seven orders directing the detention of specific commodities and a number of shipments. Shipments of these goods were stopped. Approximately 232 Chinese firms have been identified with these suspect products. Last November, we conducted a public hearing on this matter, and have been using information from the hearing and from other sources in this investigation.

Customs "Jump Teams" have been very effective in determining whether imported merchandise is actually produced in the stated country of origin or transshipped from somewhere else. Jump Teams have visited facilities in numerous countries that have professed an ability to produce textiles. In 476 of the 612 cases investigated, they determined that the factories in question did not produce the products claimed by the importers.

Customs has been able to increase enforcement efforts in these areas because of more effective facilitation measures provided to legitimate shippers. Our fraud investigations have focused on illegal and predatory trade issues which impact the revenue, environment, and economy of the U.S. and the health and public safety of its citizens. Customs trade enforcement is responsive to changing international trade issues. Our program targets fraud in identified priority areas by integrating our enforcement efforts which result in high-impact criminal fraud convictions and major civil penalty collections.

INTELLECTUAL PROPERTY RIGHTS

Customs efforts to protect American business from foreign companies who violate Intellectual Property Right (IPR) statutes have been tremendously successful. IPR-related seizures for fiscal year 1989, 1990, and 1991 totaled more than \$170 million. In addition to the value of goods seized during importation, Customs efforts have had a substantial impact on protecting domestic industries.

High technology items have remained a high priority in Customs efforts. Computer and electronics seizures accounted for \$6.5 million last year. Customs has endeavored to match the technical capacity of violators by the acquisition of the most modern detection equipment, including the Scanning Electron Microscope (SEM).

Over the past decade, in order to continually improve our ability to enforce IPR statutes, we have been increasing the number of trademarks and copyrights available on-line to inspectors through the Automated Commercial System (ACS). From a few hundred recordations in the 1980's, Customs has increased the number of trademarks and copyrights to 12,000 annually.

FRAUD INVESTIGATIONS

We continue to strengthen our ability to identify significant Customs and trade fraud in priority areas. We are requesting \$1.046 million and 8 FTE to assist us in this endeavor. We will focus on:

—Illegal imports and exports of hazardous waste

- Non-qualifying goods entering fraudulently under the terms of free trade agreements
- Fraudulent imports and exports of agricultural products
- Computer crimes and electronic fraud

CARGO AND CONVEYANCE ENFORCEMENT

In the non-commercial areas of enforcement, several notable advances have been made. In 1991, Customs expanded the Carrier Initiative Program to include over 1,800 sea and air carriers. We have given air carrier training to over 1,500 carrier employees in 21 countries to permit them to provide advance scrutiny of high-risk shipments. In addition, we have developed the Super Carrier Initiative in order to meet the needs of extremely high-risk air and sea carriers, providing to them additional advice on such things as physical controls and review methods.

In the area of narcotic cargo examinations, we increased our number of Mobile X-Ray Vans to 25. This type of high-technology has proven very effective in assisting inspectors in the examination of cargo in a non-intrusive manner. This year, Customs will begin utilizing pallet-size X-ray equipment that can examine large shipments of commercial cargo that in the past was too large to examine by the Mobile X-Ray Van. The result has been a more efficient examination process, while facilitating the clearance of low-risk cargo.

DRUG SMUGGLING INTERDICTIONS AND INVESTIGATIONS

In 1991, Customs made great strides against the war on drugs. To cite a few examples, Customs made the largest heroin seizure in U.S. history in Oakland, California. It was the second largest heroin seizure in the world. Taking hundreds of millions of poisonous doses of heroin off the streets of America, and billions of dollars out of the pockets of pushers, gives me great satisfaction. This proves that President Bush's war on drugs is not only on target, but is hitting bulls-eyes.

Customs will be able to continue investigations of this sort because over 1,300 agents have been cross-designated to investigate drug cases in the course of their regular Customs duties. This cross-designation of Title 21 authority with the Drug Enforcement Administration will not only allow Customs to seize drugs crossing our borders, but also allow Customs agents to pursue the investigations domestically to their ultimate inclusion. We have requested that an additional 500 Customs special agents be cross-designated.

In Miami, Customs inspection teams discovered concrete fence posts filled with over 32,000 pounds of cocaine. The seizure and arrests followed a lengthy investigation and surveillance.

Additionally, within the past year, Customs Service inspectors continued an upward trend by seizing a record 1,432 pounds of heroin from commercial air passengers, an increase of 44 percent from 1990, and an increase of 102 percent from 1989. Such increases are due to the diligence of our air passenger inspectors, who are responsible for finding their targets out of the 49 million commercial air passengers which cross our borders every year.

One way to measure the growth in Customs drug interdiction efforts is to look at our successes in heroin seizures. Heroin seizures alone grew 1,000 percent from 269 pounds in 1980 to 2,960 pounds in 1991.

In fiscal year 1991, Customs had a banner year in terms of seizures and arrests. Customs made the following narcotics seizures:

- Heroin, 754 seizures totalling 2,960 pounds Cocaine, 2,138 seizures totalling 169,586 pounds
- Marijuana, 8,688 seizures totalling 287,519 pounds
- Hashish, 2,000 seizures totalling 177,038 pounds

MONEY LAUNDERING

Customs objective in the area of money laundering is to disrupt the international illegal cash flow at the "placement" stage, destroying the financial infrastructure responsible for the movement of those funds, and effectively reducing funds available for global laundering and investment. The following examples show our commitment to stopping this very activity:

Led by the U.S. Customs Service, Federal authorities have cracked a \$60 million-a-month laundering ring and arrested more than two dozen people in four States and Geneva, Switzerland.

Our very successful Operation Polar Cap V produced 21 defendants centered in the Diamond District of Manhattan, charged with 230 counts of money laundering

violations, and a complex fraud and money laundering scheme with \$1 billion in fake contracts and \$700 million in money laundering.

Implementation of the ten-country international money laundering training schedule for fiscal year 1992 has already begun. The State Department has approved the funding for training courses on money laundering sponsored by International Narcotics Matters in fiscal year 1992. These courses are being held in Brazil, Thailand, Malaysia, Singapore, Aruba, Barbados, the Dominican Republic, Martinique, the Bahamas, and Trinidad/Tobago.

To continue the great job that we are doing in combatting money laundering, our fiscal year 1993 Budget Request has an initiative for \$1.6 million and 17 FTE to expand the present financial enforcement efforts to allow for more uniform and comprehensive financial investigations through intensified multi-agency investigations and special operations.

AIR AND MARINE INTERDICTION

In the fiscal year 1992 Appropriation, funding for marine interdiction was combined with Customs air interdiction effort in order to more efficiently protect the Nation's extensive border and counter the continually shifting narcotics and contraband smuggling threat. Air and marine resources comprise approximately 9 percent of the total Customs Budget Request.

AIR INTERDICTION

Continuous efforts to disrupt the illegal flow of contraband are well represented by the following accomplishments:

During fiscal year 1991, the Aviation Program had a total of 45,981 flight hours. The Customs P-3 aircraft flew approximately 5,223 hours in support of the mission. P-3's were directly involved in the seizure of 30,000 pounds of cocaine.

Customs established an unprecedented cooperative air interdiction effort with Mexico this past year. We have trained numerous Mexican crews to operate sensor-equipped Cessna Citation aircraft.

With the permission of the respective governments, Customs currently covers at least one of the following flight routes per day in an effort to stop the flow of drugs:

- Eastern and Central Caribbean departures en route to the Bahamas and Puerto Rico.
- Western Caribbean to Central American locations and Northern Mexico, overflying the Yucatan region. This is a new route, expressly chosen, as it doubles the previous level of Caribbean coverage. This is one of the most-used routes to date.
- Eastern Pacific and South American departures headed for northern Mexico.

These three routes, flown with P-3 AEW's, have greatly enhanced success of our drug interdiction operation. As a result, a fourth P-3 aircraft was included in our fiscal year 1992 appropriation.

In addition, we received funding for support helicopters to assist in the interdiction and apprehension effort to help stamp out this problem.

Other aircraft operated by Customs include small single and twin-engined aircraft, Citations, Customs High Endurance Trackers (CHET's), Nomads, Black Hawks, support helicopters, and King Airs. Customs is currently operating in excess of 124 aircraft. In fiscal year 1993, there may be as many as ten additional aircraft added to the fleet, most of them obtained by seizure.

MARINE INTERDICTION

In fiscal year 1991, the Marine Program operated utility vessels, interceptors, and blue water vessels a total of 47,000 service hours. Customs completed a thorough evaluation of its National Marine Program and revised the Nation Marine Strategy to meet the current need. In an effort to meet the strategy and to get rid of aging and unsafe vessels, or vessels unsuitable for interdiction purposes, we have reduced our fleet size to approximately 150 vessels.

Customs has a proven track record in the coastal maritime interdiction field. Tons of narcotics have been seized in Customs waters and thousands of smugglers arrested. Given this record, Customs clearly has a critical role in the "arrival zone" in reducing the amount of smuggled drugs coming across the coastal borders of the United States, and is a vital component of the Federal "War on Drugs."

Interdiction programs include "Rapid Response Units," intelligence driven special operations; operations in Gun Cay and Western Bahamas; and resource increases in Puerto Rico and the Virgin Islands. Customs air and marine units combine resources to establish a viable detection, sorting, and tracking interception and appre-

hension capability for the current airdrop threat along the coastal borders of the United States.

In fiscal year 1993, the Marine Program will continue the vessel replacement program to upgrade the Customs fleet, as outlined in the National Maritime Interdiction Strategy and Plan, which is supported by the Office of National Drug Control Policy. The \$6.7 million being requested in the Congressional Budget will nearly complete this program. The Marine Program will expand the Marine Operations Reporting System (MORS) to collect data regarding seizures, arrests, and investigative and undercover boardings.

INTERNATIONAL NARCOTICS TRAINING PROGRAM

U.S. Customs provides comprehensive narcotics enforcement training for law enforcement officers in targeted countries under the auspices of the Bureau for International Narcotic Matters of the Department of State. These training programs are designed to enhance the enforcement capabilities of foreign drug control officers at high-risk international airports, seaports, and land borders. Since 1973, Customs has trained over 12,000 officers from over 100 countries. During fiscal year 1991, 38 training programs were provided to over 700 participants from 45 nations. We also work with private sea and air carrier companies to strengthen their anti-narcotics security procedures.

In addition, the Customs canine training center at Front Royal, Virginia, has organized its training schedule, in coordination with the State Department, to provide international training and assistance for 36 canine teams from foreign governments.

EXPORT ENFORCEMENT

Customs was proud to have played an important role in assisting our American troops in the Persian Gulf. Customs directly supported Desert Storm and Desert Shield by managing Iraqi sanctions, keeping munitions and other war supplies from the hands of the enemy. A direct example of Customs role can be seen in the indictment of three Iraqi nationals for illegally shipping to Iraq high-tech components valued at \$2.5 million. Customs Operation EXODUS supported U.S. efforts during the Persian Gulf War by making 70 seizures, valued at over \$10 million, of goods destined for Iraq and occupied Kuwait.

The Customs export enforcement program, Operation EXODUS, was established in 1981 to prevent illegal exports of arms, munitions, and sensitive technologies from endangering national security. Although initiated in response to the Soviet Bloc threat, the program has been substantially expanded to cover the full scope of export violations, from nuclear components smuggled to Iraq, to illegal weapons shipments to Colombian narcotics cartels.

In a sting operation, Customs prevented the illegal introduction of American arms into the civil war in Yugoslavia. Customs identified four individuals who were later charged with violating the Arms Export Control Act. These individuals were indicted for illegally exporting arms to Croatia. Among the prohibited items confiscated by Customs inspectors were stinger anti-aircraft missiles, redefe anti-aircraft missiles, M-16 assault rifles and ammunition, and night-vision equipment.

While Operation EXODUS provided critical support to Desert Shield and Desert Storm during fiscal year 1991, including a number of high profile investigations involving illegal exports to Iraq, the program was also able to deliver a highly successful set of performance statistics. Customs was responsible for 153 arrests, 142 indictments, 163 convictions, and 716 seizures of merchandise valued at \$96 million, which was attributable to our export enforcement.

AUTOMATION

I am particularly proud of Customs achievements in improving every facet of our management structure. Our ambitious efforts have achieved wide-spread recognition for enhancing trade and providing better commercial service, while at the same time providing substantial management reforms.

We want to be the most "user-friendly" Customs Service in the world. So far, automation has allowed us to reduce physical paper handling by 40,000 documents per employee. Rather than having to handle all that paper, Customs employees are now able to perform electronically the demanding task with which they have been charged. This has also provided the ability to respond in a flexible manner to the changing dictates of world trade and the increasingly complex trade programs that we administer.

Customs has developed a new on-line Census Correction Module for the ACS system that will enable Customs field offices to transmit statistical corrections directly to Census. This enhancement will increase the timeliness in reporting vital import

and export information and reduce carryover levels to below 4 percent thus reducing the need for errata reports.

The Automated Broker Interface (ABI) allows us to electronically process 92 percent of Customs 10.8 million entry declarations per year. This involves approximately 600 on-line transactions per day and some 3.7 million database requests per hour. Nationwide, 75 carriers are participating in the Automated Manifest System (AMS) either directly or through service centers.

Over 70 percent of all sea waybills and about 80 percent of the total vessel cargo tonnage nationwide is processed through AMS. AMS allows for paperless processing, while providing enhanced enforcement and audit capabilities. AMS is currently operational in 125 U.S. ports, with 65 steamship lines, ten airlines, and 12 port authorities participating.

In addition, it is a Treasury Department-wide goal to ensure that there are funds available for replacement of personal computers which will be functionally obsolete by fiscal year 1993. Our request includes \$2 million for this project.

INTERNAL CONTROLS

Customs is committed to continue to improve financial, accounting, and internal control areas. Customs began a major effort to strengthen its Management and Internal Control Program by formulation of focussed corrective action plans. The results of this initiative have been substantial to date. We are developing a centralized integrated management information system for accounting and logistics operations, to meet increased requirements levied on the agency, and to comply with the mandated requirements for Federal financial systems. The fiscal year 1993 budget proposes an increase of \$1.668 million and 21 FTE.

TRAINING

The Customs Service has expanded and enhanced its training program to provide its workforce the opportunity to achieve the highest degree of professionalism and personal attainment at each level of the career ladder. The number of courses offered has increased substantially to include Supervisory Refresher Training, monthly mandatory Supervisory Seminars, Professional Administrative Skills Training, Mission Orientation Training, District Director/Special Agent-in-Charge Seminars, and Mid-Level Management Training. Additional training conducted in the field included: Cultural Diversity Awareness Training, Spanish Language Training, Whistleblower Training, Integrity/Ethics Training, ACS/TECS II Training, Revenue Collection/Cashiers Training, and Safety Program Administration Training, among others. For our uniformed officers, we have developed a course on "Image, Attitude, and Appearance," which focuses on professionalism and in selecting an individual for inspection. This course will reach approximately 4,500 inspectors by June 1992. The emphasis Customs is placing on training will further establish Customs as the "training employer," as well as spur the professional and personal growth of each Customs employee.

INTEGRITY

Customs remains committed to a program of systematically eliminating potential sources of corruption and breaches of integrity within this agency, or within other the law enforcement agencies we contact. We are committed to removing or minimizing, wherever possible, the temptation for corruption that is inherent in an environment concerned with halting narcotics trafficking and massive volumes of valuable goods.

As part of this program, we are seeking \$800,000 and 8 FTE to combat corruption of officials from Customs and other Federal, State and local law enforcement agencies along the Mexican Border. The aim of this program is to eliminate any collusion with government officials that the narcotics traffickers have been relying on to ensure a regular flow of illicit drugs into this country.

In addition, we are also requesting \$8 million to fund permanent change of station (PCS) moves to institute a rotation policy for Customs Agents. Rotation of agents on a regular basis will help bring accountability to the system. In our quest to create a fair and manageable rotation policy and program, we have studied the programs of other agencies, notably the Federal Bureau of Investigation and the Drug Enforcement Administration, and have sought to infuse the positive aspects of their programs with the unique aspects of Customs enforcement. An agent rotation policy initiative is necessary to dispel the "old boy" network and foster a spirit of cooperation, pride of mission, and enhanced professionalism to the Customs Service.

As a result of the findings of the Blue Ribbon Panel (BRP) in June 1991, Customs is implementing a number of internal management reforms to enhance its organiza-

tional effectiveness. During the transitional period as these reforms are institutionalized, Customs is establishing an Associate Commissioner for Organizational Effectiveness. The major responsibilities of the Office of Organizational Effectiveness include inspecting and evaluating major Customs organizations on site; monitoring the BRP-recommended reforms; analyzing and integrating all internal and external evaluation products; assessing the effectiveness of various Customs organizations; and serving as the central point of contact for receipt of all allegations of mismanagement, whistleblower disclosures and related reprisal allegations, and problems identified through correspondence between employees and the Commissioner.

SUMMARY

I have identified our goals for the future and many of our major accomplishments to date. I have also outlined for you the issues and activities that support the commercial and enforcement mission carried out by Customs. We are fully aware that Customs must balance the requirements for facilitating legitimate commerce, passengers, and merchandise, while at the same time enforcing our Nation's laws. Because we realize that budget constraints are a reality, maintaining this delicate balance requires that Customs use all available resources in the most effective and efficient manner.

Customs has made great strides in meeting these goals. We will continue to improve on those efforts with the incorporation of the requested initiatives into our 5-Year Plan goals. This will allow us to continue to provide better service to the public on those issues and activities that are most important.

This concludes my statement, Mr. Chairman. I am ready to discuss the details of the request and answer your questions and those of the Committee members.

Attachments.

31 March 1992

To: John E. Mensley
Assistant Commissioner
Office of Enforcement
United States Customs Service

From: Michael T. Shelby
Attorney at Law
1177 West Loop South, Suite 1675
Houston, Texas 77027

RE: U.S. Southern District of Texas OCDEF Prosecution of Manuel Jaramillo, et. al.

Mr. Mensley:

This in response to your correspondence of 27 March 1992. After discussing the propriety and parameters of your invitation with the U.S. Attorney for the Southern District of Texas and various counsel representing the U.S. Department of Justice, Washington, D.C., I am prepared to respond as follows:

1.
The views I express, the observations I relate, and the conclusions I draw, are my own. I am communicating exclusively in my personal capacity and NOT as a representative of either the U.S. Attorney's Office for the Southern District of Texas, the U.S. Department of Justice, or any Executive Branch agency or member.

2.
I have no personal animus against any past or present member of the U.S. Attorney's Office, the Department of Justice, the United States Customs Service or the Department of the Treasury, nor do I have any desire or motivation to protect or exonerate any of these entities or any member thereof.

3.
I am a 1981 graduate of Texas A & M University and a 1984 graduate of the University of Texas School of Law. I served four and one-half years as an Assistant District Attorney in Harris County, the last two such years as the Chief Prosecutor of the Major Narcotics Offender Program. I began my tenure with the U.S. Attorney's Office for the Southern District of Texas in 1989, first assigned to the Organized Crime Drug Enforcement Task Force and ultimately to the Organized Crime Strike Force. I am a certified Peace Officer and an Intelligence Officer in the U.S. Naval Reserve.

4.
In November of 1989, OCDEF Coordinator Kenneth Magidson assigned me as the AUSA in charge of the OCDEF Investigation known as La Esperanza, or, more properly, Manuel Jaramillo et. al. This assignment was necessitated because John G. Crews II, the originating AUSA, had expressed to Mr. Magidson his apprehension and reluctance in investigating and prosecuting such a complex conspiracy. I expressed to Mr. Magidson at the time my belief that Mr. Crews' rationale did not make much sense, insofar as he had already expended an inordinate amount of Government time and

resources on the original inquiry and had acquired an intimate familiarity with many of the details of the investigation. Mr. Magidson stated that Mr. Crews believed he was "over his head" and that I was to direct the investigation from Houston. Mr. Magidson further stated that the investigation had been mired in internal squabbles within Customs and had been the subject of recurring "turf wars" between Agents of the U.S. Customs Service and the those of the Drug Enforcement Administration. I was directed to convene a meeting of the principals involved in the investigation; to determine the current status of the evidence; to identify the nature and extent of any animosity within or between any agents or agencies involved; and to evaluate the propriety of continuing the investigation under the OCDETF certification. I was instructed to seek immediate de-certification of the investigation in the event I determined that the original goal of successful prosecution was unattainable.

5.

Per these instructions, the original organizational meeting was convened in November, 1989. It was at this meeting that I first met USCS Special Agent Thomas Garner, DEA Special Agent Jane Ann Hebert and USCS Analyst Susan Resnick. These individuals, along with several others, presented a three and one half hour summary of the investigation. The presentation was made in a specially designated room provided by Customs containing voluminous files, cartons of un-cataloged evidence, photographs and statements. It was apparent from the initial meeting that this huge volume of documentary evidence was in a virtual random order. When asked to explain this, Ms. Resnick indicated that this was the way the evidence and files had been delivered from Corpus Christi, Texas by the originating USCS Investigators, Lou Smitt and John Graham.

6.

Despite the chaotic state of the evidence, Mr. Garner's presentation clearly demonstrated that a significant narcotics operation had been identified by the initial investigation. Although I continue to disagree with the initial reports made to me regarding the extent of its PROVABLE scope, I was impressed by the significance of the involvement of those members whose association with the Organization was demonstrable. This led me to recommend to Mr. Magidson that our Office continue OCDETF certification, at least until such time as the evidence could be properly inventoried and analysed. Mr. Magidson agreed with my recommendation and asked to be kept apprised of all future developments.

7.

Because of the nature of their original involvement, I then arranged a meeting in Corpus Christi, Texas with USCS Investigators Lou Smitt and John Graham. This meeting took place in the home of Mr. Smitt. Upon my arrival, I observed a large number of boxes containing neatly organized files relating to the Jaramillo Investigation. Mr. Smitt told me that these were his "personal copies" of the case files and evidence and that he kept them for his "protection". I asked Messrs. Smitt and Graham to give me a complete briefing on the Jaramillo organization, the nature of the investigation, the status of their involvement and their ideas for prosecution. Many of their remarks were incredible to me. although I will not speak to detail, Messrs. Smitt and Graham outlined a conspiracy involving the Mafia, Satanic Cult Killers, International counterfeiters and weapons technology merchants, the US Customs Service, the US Border Patrol, the DEA, virtually every local police and sheriff's department south of Corpus Christi, Texas, and the CIA. Suffice to say, I viewed these revelations with some skepticism, and asked them to provide me with some quantum of proof. With a very few, albeit notable, exceptions, and despite my persistent requests, no such proof ever materialized.

8.

It became apparent to me during the course of my discussions with Messrs. Smitt and Grahm that they were displeased with their treatment by the US Customs Service. I do not know if this displeasure was well founded. I am unfamiliar with the disciplinary actions taken against Smitt and Grahm or the nature of the behavior which may have prompted any such action. I will state that from the outset of our meeting together, Messrs. Smitt and Grahm's hostility towards the USCS hierarchy, the newly appointed case agent (SA Thomas Garner), and the Houston Division of the USAO was evident. When I confronted them with this observation, their response was that they had to look out for themselves first, and everything else was second.

9.

During the next several months, a concerted effort was made to identify, catalog, and organize the tremendous volume of physical and documentary evidence previously described. Although requiring many months of diligence, USCS Analyst Susan Resnick accomplished this task in an extraordinary and exemplary manner. SA Garner was tasked to coordinate the numerous agencies and individuals involved in the continuing investigation. This was a particularly onerous assignment given the variety of competing interests previously described.

Throughout this investigation, SA Garner conducted himself in an energetic, enthusiastic and professional manner. I vehemently object to and would directly challenge ANYONE'S assertion that SA Garner's participation in the Jaramillo investigation was anything less. To the contrary, I can state without hesitation that were it not for the perseverance, tenacity and diplomacy of SA Garner, the Jaramillo Organization would have been de-certified as an OCEITF investigation. I would look with some suspicion on the motivations of anyone who would assert otherwise. SA Garner had my complete confidence and support, as well as that of Coordinator Magidson and US Attorney Henry Oncken.

11.

SAC Steven Hooper was entirely supportive of our Office's efforts. On numerous occasions, Hooper stated that this was one of the most important cases in the Region, and that I need only inform him of any difficulties and/or requirements and that he would ensure that any problem was corrected or the resources were made available. I took this assurance with a great measure of skepticism until I called upon Mr. Hooper to arrange for the cross-assignment of an individual from the air wing to full time status on the Jaramillo investigation. This request was met in a matter of hours. Mr. Hooper rendered additional direct assistance in several other situations involving logistic, transportation and personnel needs. Perhaps most notable among these was Mr. Hooper's agreement, at my request, to bring John Grahm to Houston for approximately two weeks to assist in the re-configuration of the evidence files.

12.

Upon completion of the Evidence re-organization and inventorying, targeting conferences were held with various members of the Investigative team. Based upon the quantity and quality of evidence then available, I determined that an initial core indictment consisting of ten defendants would be sought. This would be followed by a second round of indictments to include between ten and twenty additional defendants. The variable nature of this number was due to the uncertainty of knowing precisely which individuals (if any) would be willing to "flip" and thereby produce additional evidence.

13.

A final Pre-indictment meeting was held immediately prior to the Grand Jury presentation and was attended by representatives of all OCBTF participant groups. This included the US Attorney's Office, Customs, DEA, IRS, the Park Forest, Illinois, Police Department, and various South Texas P.D.'s. During the course of this meeting, it was agreed by all parties that three additional subjects would be added to the first-round indictment. Although I was concerned with the level of independent proof available against one of these individuals, I agreed that there was probably enough to allow a grand jury to make the ultimate determination. The importance of this meeting is two-fold: First, the decision as to who would and who would not be indicted was mine. Period. Although I was willing to listen to the suggestions of all OCBTF participants, these were ONLY suggestions. The responsibility for the numeric quantity of defendants, the nature of the charges levied against them, and the status of each as either first or second round indictees was mine alone. Second, everyone agreed to this indictment formula. This includes those individuals who now voice the rather surprising protest that not enough people were indicted nor enough property seized. At no time after the re-organization of the investigation files did ANYONE suggest, request, demand or remark that any evidence existed implicating more than the originally identified fifteen to twenty individuals. Nor did any individual ever come forward and identify any other property, real or personal, subject to seizure.

14.

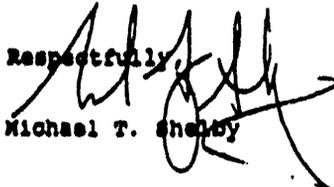
Throughout my involvement with the Jaramillo Investigation, various members of the media, citizens groups and even some law enforcement officials have attempted to use the case as a vehicle to prove a far-ranging variety of conspiratorial connections between various narcotics, underworld, religious and law enforcement groups. Although I am not at liberty to describe in significant detail the tacit connections which were found to exist between Jaramillo and certain other defined entities, I can say with certainty that no conspiratorial relationship existed between the Jaramillo marihuana distribution ring and groups undefined in the original indictment. This is not to say that individuals within the organization were without connection to other persons or groups, but only that there existed no substantive, demonstrable link between Jaramillo's organization and the majority of those entities previously defined.

15.

Messrs. Switt and Grahn should be both commended and condemned for their actions relating to the Jaramillo Investigation. As to the former, each is justly deserving of praise for his initial conduct in bringing to light a significant marihuana trafficking organization. Without their initial seizure, investigation, and dogged determination to look beyond the obvious, the Jaramillo Organization might well be operating today. However, it is my belief that these laudable efforts were directly compromised by their greater desire to elevate (and later exonerate) themselves. A particularly egregious example of such self-serving behavior took place immediately prior to the presentation of the case to the Grand Jury when an internal US Attorney memorandum was intentionally disseminated to a news organization despite the obvious, direct and adverse impact such a disclosure would doubtlessly wreck upon the on-going criminal investigation. Such behavior was and is inexcusable, regardless of the individual motivation involved. Yet this is precisely what occurred.

16.
 The Jaramillo OCEDTF Investigation resulted in the successful prosecution and incarceration of ten individuals and the seizure and forfeiture of millions of dollars of real and personal property. The investigation is considered one of the more successful OCEDTF prosecutions of 1991. Although I am not a witness to those events transpiring prior to my assignment as AUSA in charge, I can state without reservation that the US Customs Service, principally through the efforts of Special Agent Thomas Garner and the investigation and analysis team for which he was responsible, diligently, aggressively, and properly conducted the investigation and coordination of this OCEDTF effort throughout the pendency of my involvement.

Respectfully,


 Michael T. Shelby

THE COMMISSIONER OF CUSTOMS,
 Washington, DC, June 12, 1992.

Hon. ILOYD BENTSEN, *Chairman,*
Senate Finance Committee,
U.S. Senate,
Washington, DC.

Dear Mr. Chairman: During the Committee's hearings on the Fiscal Year 1993 budget proposal for the U.S. Customs Service you raised the issue of congestion and delays at the border crossings at Brownsville, Texas.

Senator, I can assure you I have given a great deal of thought to your concerns and have taken them very seriously. Some time ago, subsequent to the hearing, I asked the Assistant Commissioner for Inspection and Control, Mr. Charles Winwood, to provide me with an immediate report followed by updates on the situation at Brownsville. On two occasions since the hearing Mr. Winwood has directed Headquarters staff to visit Brownsville to interview local management and determine the extent of delays.

There have been significant traffic delays at Brownsville in the recent past. The Southwest Border Capital Improvement Plan resulted in modifications to both bridges leading into Brownsville. The plan also resulted in a construction project so large that it affected the smooth flow of traffic into the country. The construction project began in October 1990, and was completed in January of this year. As a result, I am pleased to inform you that delays now are minimal and limited to peak traffic hours.

The expansion of the truck facility at the Gateway Bridge, along with our Line Release Program for repetitive shipments, has dramatically reduced processing time for commercial shipments. A significant amount of truck traffic has been diverted to the B&M bridge where perishables and certain other shipments are processed in a timely manner.

The improvements in the release time for commercial traffic have been confirmed by a representative of the local trucking industry and a local customs broker in the enclosed March 30, 1992, article from Brownsville Progress, a publication of the local Chamber of Commerce.

Finally, I asked our Trade Ombudsman, Mr. Kent Foster, to travel into Mexico by automobile and return unannounced. He reported a backup of 10 minutes which, in his particular case, became 20 as his vehicle was selected for inspection as part of a drug enforcement blitz operation. These findings are consistent with those of Mr. Winwood's staff.

I appreciate your concerns about delays at our major border crossings. The construction in Brownsville was the major factor. Now that the project is complete the delays are certainly within a reasonable range. I am also confident that as the last of the 23 new Brownsville inspectors complete their training this summer, further

processing improvements will be achieved. These new inspectors represent a 25 percent staff increase over previous years.

There will continue to be some waiting periods associated with rush hour traffic. I am sure you will agree that it would be an inefficient use of Customs resources to staff all locations for peak hours.

I certainly appreciate the Committee's interest in this matter. We will continue to monitor the traffic patterns at Brownsville. Please contact us if we can be of any other assistance.

Sincerely,

CAROL HALLETT, *Commissioner.*

Enclosure.

BROWNSVILLE

Progress

A CHAMBER OF COMMERCE

REPORT ON THE ECONOMIC PROGRESS OF OUR CITY

U.S. Customs streamlines trucking

Port Director of Customs at Brownsville, Jerry Phares, is pleased to report that the facilities at the new customs building were designed to create the flow of traffic by routing large commercial trucks through a streamlined checkpoint. The new-type commercial shipment will receive a delay of up to 15 minutes to cross the International Bridge due to heavy trucking traffic delays. That volume of trucks now flows across the bridge and passes through customs in a streamlined fashion.

"Commercial traffic crossing the International Bridge, 60% is cleared in 1 to 2 minutes, some even quicker with 30%," says Phares, "and products are being routed to the correct office. U.S. Customs, Brownsville, International Bridge, (see Customs Page 9)



20% of the commercial traffic processed through the International Bridge. Streamlining the portion of the commercial traffic that crosses the International Bridge. The border, especially shipments and double traffic congestion, empty trucks are going to be routed to our checkpoints where there do not require additional paperwork and must simply go through the new customs inspection," said Phares.

Carla Serrano, Trucking Representative for Greenleaf Trucking, confirmed, "There's no loading, but having to wait on shipments is helping alleviate traffic congestion and delays. The brokers are doing their part and we are real careful about it." Al Moore, River Customs Service said, "From the standpoint of a (see Customs Page 9)

Customs

(Continued From Page 1)

customs broker, there is a vast improvement in the time of release of shipments that are northbound with the installation of the new commercial primary booth." He added, "The new dispatch technique has resulted in faster releases and practically eliminated the long lines at the gateway bridge."

"This project has been realized thanks to the combined efforts of the Brownsville Chamber of Commerce, BIEDC, Trade groups, and Brownsville/Matamoros custom brokers' support in seeing that the vision has become a reality," stated Flores. He further added, "the commercial import clearance booths insure that infrastructure exists on cargo facilitation."

Ernest Tijerina, U.S. Customs Chief Inspector (Cargo) said, "this progress has been achieved through the cooperative implementation of the U.S. Customs procedures by the Mexican brokers, U.S. brokers and the Maquiladora Association. It works better than we ever visualized." The new procedure allows for advance notice of a shipment by a maquiladora to brokers who in turn notify the U.S. Customs office. The customs office computerizes the information for immediate retrieval at any of the new checkpoints, providing a quick clearance to non-critical, pre-approved cargo shipments.

"Safety exists on the International



Ernest Tijerina, U.S. Customs Chief Inspector of Cargo

Bridge was a point of concern in the development of the new customs facilities. Phase I has alleviated the problem by temporarily recovering one of the inspection lanes to provide for wider turns by commercial vehicles," said Director Flores. This diminishes the risk of truck problems at that turn. He further explained that plans in Phase II call for recon-

struction of the sixth bay.

Chamber Border Facilities Chairman, Richard Harpe expressed his deep appreciation to Port Director Flores and all agencies working with him. He is working out a solution. He further added, "our committee congratulates Mr. Tijerina and his crew for implementing truck clearance to such perfection."



RESPONSES OF COMMISSIONER HALLETT TO QUESTIONS SUBMITTED BY SENATOR RIEGLE

Question No. 1. Many of us are aware of and commend the fine work that the Customs Service did in upholding U.S. law as it related to the audit of Honda of America. In this light, what is the status of any similar audits being conducted by the Customs Service, including an audit of Toyota?

Answer. Customs is currently conducting an audit of another major automobile manufacturer which is claiming trade preferential treatment under the CFTA. Since the audit is not complete, I cannot say whether or not the company has complied with the requirements of the agreement in order to gain duty free benefits. It is Customs intention that audits will continue to be planned and performed on companies seeking benefits under the CFTA, with a special emphasis on the automotive industry.

Question No. 2. Has the Honda audit been completed? What is the status of the appeals process related to the Honda audit?

Answer. The Honda audit is completed. The audit report has been provided to the Customs District Director in Buffalo, New York, where the entry declarations were filed. It is anticipated that the District Director will shortly be notifying Honda concerning the actions which will be taken to appraise the value of Honda's entries and

to apply the appropriate rate of duty. After examining any additional information that Honda may provide, the District Director will determine and assess ("liquidate") the final duty. Once the entries have been liquidated the importer may protest the decision within 90 days of the liquidation. During the protest, Honda may provide Customs with additional information regarding their CFTA claims. Customs officials will then review the protest. If the protest is denied by Customs, the company must pay the duty owed but may challenge the denial in the U.S. Court of International Trade.

Question No. 3. What has been the role of the Customs Service with regard to the North American Free Trade Agreement (NAFTA)? Has the Service been involved in and consulted by the U.S. Trade Representative (USTR) as negotiations have moved forward to ensure that there is a united U.S. position on enforcement issues under the NAFTA?

Answer. The U.S. Customs Service has been closely involved in negotiations from the beginning. Customs representatives are members of the Rules of Origin, Transportation, IPR, and Tariffs Working Groups. Customs representatives serve as advisors on an as-needed basis to the Autos and Textiles Working Groups. Customs leads the Customs Issues subgroup and is responsible for the development of the Customs Administration Annex of the Agreement.

Question No. 4. What is your view as to the enforceable nature of rule-of-origin proposals that are being considered by our NAFTA negotiators? Given Congressional support for strict and enforceable rules-of-origin in the context of the NAFTA, what is the Customs Service doing to ensure that any rules crafted under the agreement are consistent with U.S. goals under the NAFTA, namely to encourage manufacturing in the U.S. and North America, and are enforceable?

Answer. Customs is not a policy-making agency, so it is not proper for us to comment on policy issues. Our mandate is to enforce the agreement and we are assuring that the rules are enforceable. We have worked closely with the Rules of Origin Working Group in providing advice on the enforceability of the proposed rules. As the rules are completed, our National Import Specialists in New York review them to determine if they are practical and can be administered. We are confident that the rules will accomplish their purpose and that we will be able to adequately enforce them.

Question No. 5. What types of enforcement mechanisms are being discussed for application under the NAFTA? Will such a mechanism be adopted by all three participating countries, so as to avoid the confusion which arose under the U.S.-Canada Free Trade Agreement (CFTA) with regard to Honda and the difference in interpretation and enforcement of the rule-of-origin for automobiles?

Answer. In the Customs Administration Annex we have developed enforcement procedures that will be followed by all three Customs Administrations. We have made every effort to clarify and specify all requirements of the agreements so as to prevent future misunderstandings. We will also, before the agreement is implemented, develop uniform regulations that will also be followed by all three. In addition, we have established procedures by which the three countries can consult one another and seek agreement on the uniform interpretation, administration, and application of the rules before political issues can escalate.

Question No. 6. What has the Customs Service identified as problems regarding the variety of enforcement mechanism proposals and border enforcement issues in connection with the NAFTA?

Answer. We realize that the increased trade resulting from the NAFTA will create increased opportunities for smuggling of narcotics and other prohibited merchandise. Increased trade will also put a strain on our resources. However, we are confident that we are prepared to cope with these potential enforcement problems.

We are in the process of completing a very ambitious southern border capital improvements program that will renovate, replace, and construct new facilities along the southern border. New inspector positions were authorized last year and new import specialist and auditor positions are planned this year for the southern border. In addition to more facilities and staffing, we are also taking advantage of other initiatives, such as increased use of automation, advance information on import transactions, paperless processing, and increased use of technology in the examination process. All of these initiatives will allow us to be not only more selective but also more effective in our processing of this increased trade.

Question No. 7. Could you please recount the process under which the Customs Service came to its decision to classify all multi-purpose vehicles (MPVs) as trucks at a 25 percent tariff rate for import purposes?

Answer. In January 1989, the Harmonized Tariff Schedule (HTS) replaced the U.S. Tariff Schedules (TSUS) as the tariff schedule in use for the United States. The Customs Service had to determine how multi-purpose vehicles (MPVs) were to be

classified under the new tariff nomenclature. Specifically, Customs had to determine, under the HTS, whether these MPVs were "principally designed" for the transport of persons. "MPV" is a term that has been used to refer to sport utility vehicles and minivans which are versatile vehicles and can readily be used to carry persons or cargo.

Customs looked at the structural design of MPVs, which includes a strong frame, a box-like interior, a flat rear floor, level loading access, and a rear cargo space which was not significantly impaired by the addition of a removable or folding rear seat.

A vehicle with these structural features was at least a dual-purpose vehicle since the cargo-carrying design features were not eliminated when a removable or folding rear seat was installed. Therefore, Customs concluded that MPVs could not be classifiable, under heading 8703 of the HTS, as vehicles "principally designed for the transport of persons."

The competing provision in the HTS, under heading 8704, was not as specific. To apply, it required only that the vehicle be "for the transport of goods." This language was broad enough to encompass dual-purpose vehicles, such as the MPVs. Crew-cab pickup trucks are another example of a dual-purpose vehicle classifiable under heading 8704.

Question No. 8. In your opinion, how and why did Treasury overturn the Customs decision on MPVs? Is it common for Treasury to overturn Customs decisions as it did with the MPV situation? If so, how many times and on what issues has Treasury overturned a Customs ruling?

Answer. Treasury overturned part of the Customs decision on MPVs for two reasons. First, the Customs decision announced 3 days after the implementation of the new Harmonized System tariff had the effect of imposing a 25 percent *ad valorem* duty on vehicles that under the previous tariff law had for many years been subject to a 2.5 percent rate of duty. Second, Treasury concluded that under the provisions of the Harmonized System many MPVs are principally designed for the transport of persons rather than goods and are properly classified under the tariff provision for passenger vehicles, which has a 2.5 percent duty.

Since 1792, the Secretary of the Treasury has been charged by law with superintending the collection of duties on imports (See Title 19 U.S. Code, section 3). Treasury review of Customs Service decisions is a routine part of Treasury's supervisory responsibility. Frequently, these reviews are undertaken at the specific request of members of Congress. For example, members of Congress recently requested Treasury to review Customs decisions on the tariff classification of athletic footwear and generating sets. In both of these cases, Treasury upheld the Customs decision.

No systematic data are kept on Treasury's review of Customs decisions. However, it is not uncommon for Treasury to modify in part a Customs decision, as it did in the case of the MPVs. The most frequent decisions modified involve issues other than tariff classification, such as commercial penalties, country of origin marking, economic sanctions administration, or intellectual property rights. In some cases, Treasury has reviewed and modified decisions on tariff classification, as recently occurred with respect to the classification of tights and leggings.

Question No. 9. Is the Customs Service the proper authoritative body for determining the classification of products for import purposes?

Answer. Treasury Order No. 165, Revised, (TD 53654, 19 F.R. 7241), 11-2-54, delegates to the Commissioner of Customs all the rights and powers, and duties vested in the Secretary of the Treasury by the Tariff Act of 1930. Section 624 of the Administrative Provisions of the Tariff Act (19 U.S.C. 1624) authorizes the Secretary of the Treasury to make such rules and regulations as may be necessary to carry out the provisions of the Act. Section 500 of the Administrative Provisions of the Act (19 U.S.C. 1500) requires that goods be appraised and classified. Thus, it is clear that the Customs Service has the authority to issue rules on the proper classification of merchandise.

Notwithstanding the legal authority to classify merchandise for import purposes, the Customs Service is the only Bureau within Government with the expertise and institutional memory to easily and accurately issue the thousands of rulings yearly that are necessary to keep the wheels of commerce turning smoothly (\$500 billion yearly in imports). Because of the significance of this trade, there occasionally arise some decisions that will have a significant effect on international trade. It is not unreasonable for the Secretary of the Treasury to want to review such decisions prior to issuance. Because most of these decisions are such a close call, and generally are the kind on which reasonable men may disagree, it occasionally happens that Treasury will overrule a Customs decision.

Question No. 10. I understand that the Customs Service is utilizing the Customs Cooperation Council (CCC) to encourage the protection of U.S. intellectual property rights. How is this effort going and what initiatives have been developed to increase sensitivity to enforcement of IPR? How does Customs effort in this area compliment or interact with the U.S. Trade Representative's (USTR's) efforts, including those under "special 301?"

Answer. On February 17 and 18, 1992, the CCC conducted a symposium on the protection of IPR. As a result, the Enforcement Committee of the CCC has made recommendations to the Council Session (convening in June 1992) for the inclusion of IPR protection in its agenda for combatting commercial fraud, and for member countries to step up cooperation with the trade in protecting IPR.

In support of these recommendations, the Office of the Trade Ombudsman, in conjunction with industry trade coordinators, will be conducting an IPR Trade Fair on June 21 and 22, 1992, just prior to the CCC Council Session to encourage customs commissioners to support programs for the protection of IPR. U.S. Customs has been coordinating with the Office of the U.S. Trade Representative on this effort.

Question No. 11. How does the CCC effort apply if countries do not have adequate IPR laws on the books?

Answer. The CCC effort is not intended to substitute for negotiations in the GATT, NAFTA, or other bilaterals. When CCC member countries have no IPR laws to enforce, the "harmonization" of IPR border enforcement practices will simply be inapplicable. U.S. Customs is continuing to coordinate with the Office of the U.S. Trade Representative on this effort.

Some countries (e.g., the United Kingdom and under-developed African countries) are more concerned with the direct revenue loss from counterfeiting, such as failure to pay duties and Value Added Taxes, and therefore use customs revenue laws to stop things that are also IPR violations. France considers it a violation of customs laws when the importer does not own the property (including intellectual property) being imported. In these cases, IPR is protected by a foreign country even in the absence of IPR border enforcement laws.

Question No. 12. For the record, I am interested in Customs account of foreign entities that have violated and continue to violate U.S. antidumping (AV) and countervailing duty (CVD) laws. I also request an account of the collection of antidumping and counter-vailing duties by the Customs Service, including the backlog duties that have been reported in the press over the last 10 years.

Answer. As you know, Senator Riegle, the Customs Service is responsible for administering AD and CVD orders issued by the Department of Commerce. I can assure you that Customs is working very closely with the Department of Commerce to ensure that the AD/CVD laws are vigorously enforced and that the appropriate duties are collected.

In regard to the so-called backlog of uncollected AD/CVD duties reported in the press, at this time we do not believe there is a AD/CVD liquidation backlog. Customs has just completed a review of all entries being held in Customs ports as a result of AD/CVD orders. Out of more than 600,000 entries that were being held for AD/CVD, we identified approximately 14,000 entries—slightly more than 2 percent of the total—on which Customs could take final collection action. The vast majority of those 14,000 entries were liquidated with no change in duty; that is, the AD/CVD duty that was deposited at the time of importation was the correct amount owed. Some of the remaining entries were liquidated with AD/CVD duty increases, but others were liquidated with refunds; that is, the importers paid too much AD/CVD duty at the time of importation.

Question No. 13. I have been following the announcement of the Justice Department regarding its intention to more aggressively enforce U.S. antitrust laws, possibly against transplant and Keiretsu operations in the U.S. market. From an enforcement standpoint, how will this effort assist the Customs Service in its trade-related responsibilities under U.S. law and regulation?

Answer. It does not appear to us that the Department of Justice recent antitrust initiative would have any bearing on current Customs responsibilities.

RESPONSES OF COMMISSIONER HALLETT TO QUESTIONS SUBMITTED BY SENATOR ROTH

Question No. 1. How many Customs port offices are there, where are they located, and what is the level and number of staff personnel at each of them?

Answer. There are 290 Customs port offices. A list of our Ports of Entry arranged by State will be provided. The number of personnel at each port varies according to the size of the port, from one person at small ports to hundred of persons at a major port.

Question No. 2. What is the amount of revenue, including duties, that have been collected at the Port of Wilmington over the past 5 years on an annual basis?

Answer.

Year	Revenue
1991	\$49,088,369
1990	67,124,050
1989	48,834,875
1988	58,275,284
1987	77,308,873

Question No. 3. Why has the Wilmington Customs office lost six staff personnel over the past 5 years?

Answer. The reduction in staffing at the Port of Wilmington, Delaware, is the result of several changes in the way Customs conducts business. None of the changes have been detrimental to the facilitation of trade in Wilmington. In fact, the changes have increased the flexibility of importers and their agents to carry out their respective duties.

Some time ago, Customs discontinued the monitoring of pumping of oil and petroleum products from ships to barges and shore tanks. The certification of these quantities by licensed public gauges, with integrity "spot-checks" by inspectors, is now acceptable. This has reduced our workload and consequently our staffing requirements.

The consolidation of the Philadelphia and Wilmington ports of entry allows Wilmington entry paperwork to be filed at the Philadelphia Customshouse. This benefits the importers' Customshouse brokers by eliminating the need to travel from their Philadelphia offices to Wilmington for the sole purpose of depositing paperwork. Customs has also better utilized its staffing resources by centralizing its entry processing functions.

The Customs policy of selective examination of import cargo has also reduced staffing requirements. Unlike our manual screening methods of years ago, Customs now employs the Automated Commercial System (ACS) to target examinations. This computerized repository of import histories and examination criteria helps Customs determine which cargo will be thoroughly examined to assure its compliance with laws and regulations.

Question No. 4. Last November, a Customs Inspector at the Port of Wilmington's Customs Office retired. Why hasn't his position been filled yet? Are there plans to replace him, and if not, what is the justification for not doing so?

Answer. On November 30, 1990, Inspector Bob Raymond retired. Inspector Tom Farrell retired February 28, 1992. In the time between the retirements, work in the Port of Wilmington was performed by Inspector Farrell and two other inspectors stationed there. With the retirement of Inspector Farrell, Customs has "detailed" an experienced inspector from Philadelphia to Wilmington until Inspector Farrell's vacancy is filled. His vacancy will be filled either by the inspector currently detailed there, who wishes to be permanently reassigned to Wilmington, or by an alternate selection.

The justification for not filling the vacancy created by Inspector Raymond's retirement is reduced workload.

Question No. 5. In the event that another Customs Inspector retires from the Wilmington office, will he or she be replaced?

Answer. Were another inspector retirement to occur in the immediate future, the inspector would be replaced.

Question No. 6. Is the U.S. Customs Service or the Treasury Department planning on, or contemplating, closing the Wilmington Customs office?

Answer. Absolutely not. There is a need to maintain a Customs office with public access to serve both the public and importing community in the Port of Wilmington.

Question No. 7. How many U.S. Customs port directors are there, and what are their GS levels? How many Port Directors are at the GS-11 level, and where are they located?

Answer. There are 196 Customs Port Directors. Six are at the GM-14 level. Thirty-one are at GM-13. Fifty-two are at GS-12. Ninety-six are at GS-11. Eleven are at GS-9. GS-11 Port Directors are located at the following ports:

Port	Location
Port of Vanceboro	Vanceboro, Maine

Port	Location
Fort Fairfield	Fort Fairfield, Maine
Port of Van Buren	Van Buren, Maine
Port of Fort Kent	Fort Kent, Maine
Port of Burlington	Burlington, Vermont
Port of Springfield	Springfield, Massachusetts
Port of Worcester	Worcester, Massachusetts
Port of Gloucester	Gloucester, Massachusetts
Port of New Bedford	New Bedford, Massachusetts
Port of Bridgeport	Bridgeport, Connecticut
Port of New Haven	New Haven, Connecticut
Port of Rochester	Rochester, New York
Port of Syracuse	Syracuse, New York
Port of Chester/Wilmington	Wilmington, Delaware
Port of Harrisburg	Harrisburg, Pennsylvania
Port of Salt Lake City	Salt Lake City, Utah
Port of Butte	Butte, Montana
Port of Turner	Turner, Montana
Port of Scobey	Scobey, Montana
Port of Whitetail	Whitetail, Montana
Port of Ophelm	Ophelm, Montana
Port of Morgan	Morgan, Montana
Port of Porthill	Raymond, Montana
Port of Piegan	Sweetgrass, Montana
Port of Whitlash	Whitlash, Montana
Port of Del Bonita	Sweetgrass, Montana
Port of St. John	St. John, North Dakota
Port Waihala	Waihala, North Dakota
Port of Hannah	Hannah, North Dakota
Port of Saries	Saries, North Dakota
Port of Hansboro	Hansboro, North Dakota
Port of Maida	Maida, North Dakota
Port of Dunseith	Dunseith, North Dakota
Port of Baudette	Baudette, Minnesota
Port of Pinecreek	Pinecreek, Minnesota
Port of Northgate	Northgate, North Dakota
Port of Ambrose	Ambrose, North Dakota
Port of Antler	Antler, North Dakota
Port of Sherwood	Sherwood, North Dakota
Port of Fortune	Fortuna, North Dakota
Port of Westhope	Westhope, North Dakota
Port of Noonan	Noonan, North Dakota
Port of Carbury	Carbury, North Dakota
Port of Saginaw-Bay City /Flint	Saginaw, Michigan
Port of Battle Creek	Battle Creek, Michigan
Port Peoria	Peoria, Illinois
Port Omaha	Omaha, Nebraska
Port Del Moine	Chicago, Illinois
Port of Davenport, Rock Island, & Moline	Milan, Illinois
Port Erie	Erie, Pennsylvania
Port Ashtabula/Conneaut	Ashtabula, Ohio
Port Wichita	Wichita, Kansas
Port Springfield	St. Louis, Missouri
Port of Newport News	Newport News, Virginia
Port of Columbia	Columbia, South Carolina
Port of Brunswick	Brunswick, Georgia
Port of Panama City	Panama City, Florida
Port of Pensacola	Pensacola, Florida
Port of St. Petersburg	St. Petersburg, Florida
Port of Fajardo	Fajardo, Puerto Rico
Port of Mayaguez	Mayaguez, Puerto Rico
FP&F Staff (two persons)	Miami, Florida
Port of Key West	Key West, Florida
Port of Alexandria	Alexandria, Virginia
Port of Gulfport	Gulfport, Mississippi
Port of Albuquerque	Albuquerque, New Mexico
Port of Douglas	Douglas, Arizona

Port	Location
Port of Sasabe	Sasabe, Arizona
Port of Freeport	Freeport, Texas
Port of Amarillo	Amarillo, Texas
Port of Oklahoma City	Oklahoma City, Oklahoma
Port of Tulsa	Tulsa, Oklahoma
Port of Austin	Austin, Texas
Alrport Branch	Las Vegas, Nevada
Port of Reno	Reno, Nevada
Colorado River Port Area	Astoria, Oregon
Colorado River Port Area	Longview, Washington
Port of Coos Bay	Portland, Oregon
Port of Spokane	Spokane, Washington
Port of Point Roberts	Point Roberts, Washington
Port of Aberdeen	Aberdeen, Washington
Port of Bellingham	Bellingham, Washington
Port of Everett	Everett, Washington
Port of Port Angeles	Angeles, Washington
Port of Port Townsend	Townsend, Washington
Port of Anacortes	Anacortes, Washington
Port of Friday Harbor	Friday Harbor, Washington
Port of Nighthawk	Port of Nighthawk, Washington
Port of Ferry	Seattle, Washington
Port of Laurier	Laurier, Washington
Port of Frontier	Port of Frontier, Washington
Port of Metelline Falls	Metelline Falls, Washington
Port of Skagway	Skagway, Alaska
Port of DeIton Cache	Haines, Alaska
Port of Fairbanks	Fairbanks, Alaska

Question No. 8. Are there plans to provide updated computer and other equipment to the Wilmington Customs office? Does Customs personnel at the Dover Air Force Base have computers?

Answer. U.S. Customs Office of Information Management is currently contracting for the installation of dedicated data lines at Dover Air Force Base. The Wilmington office has computer equipment available and uses it daily. A facsimile machine has been ordered, but not yet delivered.

Question No. 9. Are there Customs offices in Richmond, Virginia, and Denver, Colorado? If so, what is the volume of goods handled, the frequency of arrival of goods, the level of revenues, and staff levels at these offices?

Answer. There are Customs offices in both Richmond and Denver.

In fiscal year 1991, the Port of Denver processed 42,430 entries. These entries arrive daily, throughout the day. The total revenue collected was \$45,803,181. There were 111,292 international air passengers processed at the Port of Denver. Port staffing includes:

- 1 Port Director
- 2 Supervisory Inspectors
- 10 Inspectors
- 5 Aides
- 4 Seasonal Inspectors
- 5 Import Specialists
- 2 OAS Specialists

The Port of Richmond processed over 10,000 entries in fiscal year 1991. Like Denver, these entries arrive continuously. The total revenue collected was \$67,886,000. Port staffing includes:

- 1 Port Director
- 4 Inspectors
- 1 Aide

Question No. 10. Is the current Port Director of the Wilmington Customs office in charge of the Customs operations at the Dover Air Force Base? Did his or her predecessor have the same responsibility?

Answer. The current Port Director of Wilmington, Marilyn Jepson, is responsible for all Customs operations at both the Dover Air Force Base and the Port of Wilmington/Chester. Her predecessor also had responsibility for these areas. However, during her predecessor's tenure, Ms. Jepson was a first line supervisor at Dover Air Force Base, with immediate responsibility for Dover AFB only. As there is no longer such a position at Dover AFB, Ms. Jepson does not enjoy this resource.

Ports of Entry by State
(Including Puerto Rico and
the U.S. Virgin Islands)

Key:

Districts shown in boldface

• Regional Headquarters

* Consolidated ports

ALABAMA Birmingham Huntsville Mobile	New Haven New London	ILLINOIS • Chicago Peoria Rock Island-Moline* (See Davenport)	Jackman Jonesport Limestone Madawaska Portland Rockland Van Buren Vanceboro
ALASKA Alcan Anchorage Dalton Cache Fairbanks Juneau Ketchikan Sitka Skagway Valdez Wrangell	DELAWARE Wilmington (See Philadelphia)	INDIANA Evansville/Owens- boro, Ky. Indianapolis Lawrenceburg/Cin- cinnati, Ohio	MARYLAND Annapolis Baltimore Cambridge
ARIZONA Douglas Lukeville Naco Nogales Phoenix San Luis Sasabe	DISTRICT OF COLUMBIA Washington	IOWA Davenport-Rock Island-Moline* Des Moines	MASSACHUSETTS • Boston Fall River Gloucester Lawrence New Bedford Plymouth Salem Springfield Worcester
ARKANSAS Little Rock-N. Little Rock	FLORIDA Apalachicola Boca Grande Carrabelle Fernandina Beach Jacksonville Key West • Miami Orlando Panama City Pensacola Port Canaveral Port Everglades Port St. Joe St. Petersburg Tampa West Palm Beach Port Manatee	KANSAS Wichita	
CALIFORNIA Andrade Calexico Eureka Fresno • Los Angeles-Long Beach Port San Luis San Diego San Francisco-Oakland Tecate San Ysidro	GEORGIA Atlanta Brunswick Savannah	KENTUCKY Louisville Owensboro/Evans- ville, Ind.	MICHIGAN Battle Creek Detroit Grand Rapids Muskegon Port Huron Saginaw-Bay City/Flint Sault Ste. Marie
COLORADO Denver	HAWAII Honolulu Hilo Kahului Nawiliwili-Port Allen	LOUISIANA Baton Rouge Gramercy Lake Charles Morgan City • New Orleans Shreveport/Bossier City	MINNESOTA Baudette Duluth and Superior, Wis. Grand Portage International Falls-Ranier Minneapolis-St. Paul Noyes Pinecreek Roseau Warroad
CONNECTICUT Bridgeport Hartford	IDAHO Eastport Porthill Boise	MAINE Bangor Bar Harbor Bath Belfast Bridgewater Calais Eastport Fort Fairfield Fort Kent Houlton	

MISSISSIPPI Greenville Gulfport Pascagoula Vicksburg	Ogdensburg Oswego Rochester Sodus Point Syracuse Trout River Utica	Philadelphia/Chester/ Wilmington Pittsburgh Wilkes-Barre/Scranton	Burlington Derby Line Highgate Springs/Alburg Norton Richford St. Albans
MISSOURI Kansas City St. Joseph St. Louis Springfield (Temporary)	NORTH CAROLINA Beaufort-Morehead City Charlotte Durham Reidsville Wilmington Winston-Salem	PUERTO RICO Aguadilla Fajardo Guanica Humacao Jobos Mayaguez Ponce San Juan	VIRGIN ISLANDS Charlotte Amalie, St. Thomas Christiansted Coral Bay Cruz Bay Frederiksted
MONTANA Butte Del Bonita Great Falls Morgan Opheim Piegan Raymond Roosville Scobey Sweetgrass Turner Whitetail Whitlash	NORTH DAKOTA Ambrose Antler Carbury Dunseith Fortuna Hannah Hansboro Maida Neché Noonan Northgate Pembina Portal Sarles Sherwood St. John Wahalla Westhope	RHODE ISLAND Newport Providence	VIRGINIA Alexandria Cape Charles City Norfolk-Newport News Reedville Richmond-Petersburg
NEBRASKA Omaha		SOUTH CAROLINA Charleston Georgetown Greenville-Spartanburg	WASHINGTON Aberdeen Anacortes* Bellingham* Blaine Boundary Danville Everett* Ferry Friday Harbor* Frontier Laurier Longview* Lynden Metaline Falls Neah Bay* Nighthawk Olympia* Oroville Point Roberts Port Angeles* Port Townsend* Seattle* Spokane Sumas Tacoma*
NEVADA Las Vegas Reno		TENNESSEE Chattanooga Knoxville Memphis Nashville	
NEW HAMPSHIRE Portsmouth	OHIO Akron Ashtabula/Conneaut Cincinnati/Lawrence- burg, Ind. Cleveland Columbus Dayton Toledo/Sandusky	TEXAS Amarillo Austin Beaumont* Brownsville Corpus Christi Dallas/Ft. Worth Del Rio Eagle Pass El Paso Fabens Freeport Hidalgo *Houston/Galveston Laredo Lubbock Orange* Port Arthur* Port Lavaca-Point Comfort Presidio Progreso Rio Grande City Roma Sabine* San Antonio	
NEW JERSEY Perth Amboy (See New York/Newark)		UTAH Salt Lake City	
NEW MEXICO Albuquerque Columbus	OKLAHOMA Oklahoma City Tulsa	VERMONT Beecher Falls	
NEW YORK Albany Alexandria Bay Buffalo-Niagara Falls Cape Vincent Champlain-Rouses Point Chateaugay Clayton Fort Covington Massena * New York Kennedy Airport Area Newark Area New York Seaport Area	OREGON Coos Bay Newport Portland*		
	PENNSYLVANIA Chester (See Phila.) Erie Harrisburg		

* Consolidated Ports:

Columbia River port of entry includes Longview, Washington, and Portland, OR.
 Beaumont, Orange, Port Arthur, Sabine port of entry includes ports of the same name.
 Port of Puget Sound includes Tacoma, Seattle, Port Angeles, Port Townsend, Neah Bay, Friday Harbor, Everett, Bellingham, Anacortes,
 and Olympia in the State of Washington.
 Port of Philadelphia includes Wilmington and Chester.
 Port of Rock Island includes Moline and Davenport, IA.
 Port of Shreveport includes Bossier City, LA.

Designated User-fee Airports: Allentown-Bethlehem-Easton, PA; Casper, WY; Columbus, OH; Dona Ana County, NM; Fargo, ND; Ft. Myers, FL; Ft. Wayne, IN; Jackson, MS; Klamath County, OR; Lebanon, NH; Lexington, KY; Midland, TX; Morristown, NJ; Oakland-Pontiac, MI; Rockford, IL; Sanford, FL; St. Paul, AK; Waukegan, IL; Wilmington, OH; Yakima, WA.

PREPARED STATEMENT OF SENATOR ORRIN G. HATCH

Mr. Chairman, I join the other members of the Committee in welcoming Commissioner Hallett.

I want to say with the utmost sincerity, Madame Commissioner, that the occasional differences that you have had with this Committee, and especially the Trade Subcommittee, should in no way distract our attention from the impressive achievements the Customs Service has made under your enlightened stewardship.

The Customs Border Interdiction program is the basis of much success in the drug interdiction program. And the Automated Commercial System that you have put in place at Customs has made our importing operations more efficient.

I am especially impressed with your enlightened preparation for the next century, when trade, both ways, will double. This country will need the type of trade infrastructure that you are laying now to be more competitive then.

Already there are results—and it is always good to work with an agency that literally pays its own way: I refer to the nearly \$20 billion of collected Customs revenues, which increase every year. Let me put this in business terms, as an agency with 17,411 employees, each employee collects about \$1.2 million! And that's just on the customs collections side. Imagine the increased value of each employee if we took into consideration the value of drug interdictions. I fully suspect the figure could double to \$2 million per employee. Any business would like to have this level of productivity.

As pleased as I am with your service, Madame Commissioner, I do have some concerns about the way that Customs determines fraud and gross negligence in its user community. I will raise this issue in my questions.

Thank you for coming today. I thank the other members of the panel for their contributions to today's session.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF ALLAN I. MENDELOWITZ

Mr. Chairman and Members of the Committee: I am pleased to be here today to discuss issues related to the U.S. Customs Service and its role in monitoring U.S.-Mexican crossborder trade. My testimony is based primarily on information we developed for our November 1991 report, *U.S.-Mexico Trade: Survey of U.S. Border Infrastructure Needs* (GAO/NSIAD-92-56, Nov. 27, 1991) and our interim May 1991 report, *U.S.-Mexico Trade: Concerns About the Adequacy of Border Infrastructure* (GAO/NSIAD-91-228, May 16, 1991). In our November report, two of the issues we addressed were (1) coordination in border management and planning efforts and (2) the U.S. Customs Service's current and anticipated staffing requirements along the southwest border. I will discuss these issues further today.

The problems we discuss today are specific to the southwest border, however, they are also indicative of problems at Customs that are much broader. In order for Customs to make a permanent improvement in the situation, better interagency coordination and management systems at headquarters—as well as improvements in resource allocation along the southwest border—need to be implemented. We are currently addressing the broader management concerns in an ongoing assessment of Customs' management systems.

BACKGROUND

Trade and commercial traffic between the United States and Mexico have grown significantly in recent years. The capacity of existing border infrastructure to accommodate traffic is being strained, and anticipated expansion of trade is expected to intensify traffic pressures at the border. Moreover, ongoing negotiations aimed at establishing a North American Free Trade Area have raised concerns about the adequacy of infrastructure along the U.S.-Mexican border and the degree of coordination among the numerous entities concerned with border operations.

THE NEED FOR IMPROVED COORDINATION

Private sector and Federal and local officials we talked to expressed a need for greater coordination efforts and more comprehensive long-range planning to take into account the requirements of the various agencies involved in border operations. Border operations are interdependent by nature, involving services and infrastructure, such as inspectors, border stations, highways and bridges, provided by many parties. This interdependence requires extensive coordination among all the parties involved, including Mexico. In our review we learned about some problems that can

occur because of inadequate coordination. To handle these problems, a number of parties have recommended steps to improve border management.

Coordination Problems Related to Inspector Staffing

Two of the coordination problems we cited in our report were related to inspector staffing: (1) staffing imbalances between Customs and the Immigration and Naturalization Service (INS) and (2) insufficient inspector staff for existing or planned facilities built by the General Services Administration (GSA). An inadequate number of Customs and INS inspectors was the primary obstacle to the efficient operation of southwest border crossings, according to most of the officials we interviewed along the border. These officials considered the shortage of inspectors to be the main cause of long waits to cross the border into the United States.

Although Customs and INS share equal responsibility for primary inspections at the border, these agencies have not received comparable increases in inspection staff in recent years. In fiscal year 1991 Customs requested 175 new inspectors for the southwest border and subsequently allocated 370 positions based on instructions in a Senate Appropriations Subcommittee report. At the same time, INS requested 104 new positions for both the northern and southern land borders, but the Congress did not authorize any new positions. In fiscal year 1992 Customs allocated no additional inspectors for the Southwest border, while INS received authorization for 135 new inspector positions, of which about 85 were allocated to the southern border. However, according to INS' staffing model, in fiscal year 1990 INS already had a shortage of 412 inspectors given the workload it had then.

I mention INS staffing here because Customs and INS have an agreement to jointly staff primary vehicle inspection lanes on a 50-50 basis. We found that Customs would only open as many lanes at border crossings as INS could staff, thus causing significant traffic delays due to lack of INS staff. Customs officials at two large southwest border ports said that they could, and at one time did, allot more staff to primary inspections than INS. However, this caused Customs to redirect staff away from its main responsibilities, cargo inspection and drug interdiction, and caused other problems. Given the 50-50 interagency staffing agreement, increasing the number of Customs inspectors will not necessarily reduce the waiting times for primary vehicle inspections unless INS receives corresponding staff increases. This situation has been one reason for the continuing perception that inadequate staffing is the primary problem along the southwest border, despite the fact that Customs received a substantial number of new positions in fiscal year 1991.

Concern with trade and traffic flow on the U.S.-Mexican border has not only focused on the sufficiency of border inspectors but also on the capacity of border facilities. Although Customs was involved with GSA's facility planning and recognized that additional staff would be needed for the new facilities, it was often unable to fully staff existing border inspection facilities, to say nothing about new or expanded ones. Customs officials (as well as INS officials) told us that when the Southern Border Capital Improvements Program projects are completed they might not be able to fully staff the new or expanded facilities.

Capacity is being added while existing facilities are not fully utilized due to staffing shortages. For example, San Ysidro, the largest crossing along the U.S.-Mexican border, has 24 primary lanes. However, only 16 of these lanes were open on average during the busiest periods of weekdays. Similarly, the three inspection facilities serving the city of Laredo had a combined capacity of 16 primary lanes, but the maximum number of lanes open was 12.

Coordination Problems Involving Other Federal Agencies

Among the coordination problems with other Federal agencies that we found was the international bridge situation in El Paso, involving the aging Bridge of the Americas and the new Zaragoza bridge. When we visited El Paso in August 1991, the new Zaragoza bridge did not have matching border inspection facilities completed yet while the old Bridge of the Americas, which had brand-new, expanded facilities, would soon have to be closed or severely restricted because of the bridge's deteriorated condition. Renovation and expansion of the border station servicing the aging Bridge of the Americas had been completed before the bridge itself was renovated or replaced. Therefore, most of the traffic would have to be diverted to the new Zaragoza bridge, where the new inspection facility was still under construction.

El Paso city officials said there was poor coordination between the International Boundary and Water Commission (IBWC), which owns the Bridge of the Americas, and GSA, which was renovating and building the facilities at the two bridges. According to a GSA official, 40 percent of cargo traffic in the El Paso area at that time was using the Zaragoza bridge and traffic at its old inspection facility was being accommodated without any problems. However, Customs officials in El Paso ques-

tioned whether the new facilities at Zaragosa and neighboring Santa Teresa could handle all of the cargo traffic without creating very long waits if the Bridge of the Americas was closed.

In recent discussions, an IBWC official told us that the Bridge of the Americas will likely be partially closed by yearend 1992 or early 1993 for construction of a new bridge. The IBWC has kept the present bridge open by using additional structural support and imposing a 40,000 pound weight limit for trucks crossing the bridge. Meanwhile, the new commercial inspection facilities at Zaragosa are currently scheduled to be completed around May 6, according to an El Paso Customs official. Zaragosa is now handling 60 percent of commercial traffic, although there have been 2-hour waiting times to reach the inspection station. Customs officials believe that when the Zaragosa inspection facilities are fully completed, they will be able to handle traffic volumes adequately, even if the Bridge of the Americas is severely restricted. However, they were concerned about adequate staffing for the new facility.

Problems Associated With U.S.-Mexican Coordination

Coordination between U.S. and Mexican authorities is also essential to ensure efficient operation of border crossings. In some locations, operating procedures that differ between U.S. and Mexican inspection agencies have caused border inspection facilities to be underutilized, according to Customs, INS, and local officials. For example, we were told that at many border crossings in Texas, Mexican Customs released northbound trucks in batches, creating huge peaks and valleys in work load on the U.S. side. U.S. Customs officials in Laredo and El Paso also described problems in aligning their hours of operation with Mexican Customs. This misalignment was due to Mexican Customs charging higher fees to process cargo at certain times, long lunch breaks taken by the Mexicans, and seasonal time differences caused by Mexico not being on daylight savings time. These factors, along with others such as shipping schedules, narrowed the time when most trucks crossed the border into Texas. These crossings usually occurred from 4 p.m. to 7 pm.

Calls for a Comprehensive Border Plan

U.S. private sector representatives we interviewed noted that a comprehensive plan to coordinate growth along the border was lacking. They said border planning took place within individual communities, with no one entity considering an overall plan. They believe a borderwide plan could facilitate coordination among U.S. and Mexican authorities and better align operations and infrastructure on both sides of the border. Although the Interagency Committee on Bridges and Border Crossings meets on a regular basis with its Mexican counterparts to discuss current and future implementation of specific capital improvement projects, this group has not addressed borderwide issues. It also does not have the authority to commit the resources of its constituent agencies. Only the International Boundary and Water Commission has jurisdiction all along the entire border, but its authority is generally limited to addressing irrigation, sewage treatment, and other water issues.

CUSTOMS' INSPECTOR STAFFING REQUIREMENTS

Although most of the officials we interviewed along the border considered the shortage of inspectors to be the main cause of long delays in crossing the border into the United States, we found that neither Customs nor INS had an adequate method for determining staffing needs. We found that Customs used two models to assist it in determining the number of staff it needed at the border. However, neither model was adequate to accurately measure how many inspectors were currently needed or to reliably project how many would be required in relation to trade increases. Nevertheless, we worked with these models because there were no better alternatives. Customs is currently working with outside contractors to develop more sophisticated models of southwest border operations.

Both Customs Service models showed that Customs needed more than the 1,188 inspectors authorized for its southwest border districts in fiscal year 1990—276 more inspectors according to one model and 555 more derived from the other. We found that the first model, an allocation model developed by Customs' Southwest Region, had the fewest problems of the two. We did make some minor modifications to the model to correct some problems. As I previously mentioned, Customs added 370 inspector positions to the southwest border in fiscal year 1991. However, many of these positions had not yet been filled at the time we issued our November 1991 report.

The estimate of the number of Customs inspectors needed to support future trade increases was clouded not only by problems with the models, but also by the lack of data relating trade growth to changes in the models' work load measures. Assum-

ing that trade growth yielded a proportional increase in all traffic, i.e., trucks, private vehicles, and pedestrians, Customs' allocation model indicated that a 100-percent trade growth would lead to a need for 1,370 more Customs inspectors for the southwest border as compared to the fiscal year 1991 authorized level.

Appendix I shows by Customs District how many inspectors were needed in fiscal year 1990 to meet the standards in the model and how many will be needed at certain assumed levels of trade growth.

Customs has been experimenting with an automated paperless cargo clearance system as a means to improve the economy and efficiency of its border operations. Success in these efforts might reduce the staffing needed for any given level of traffic flow. We recently testified,¹ based on ongoing work, before the House Ways and Means Subcommittee on Trade on H.R. 3935, the Customs Modernization and Informed Compliance Act. We recommended that section 201, authorizing a National Customs Automation Program (NCAP) for processing imported goods electronically, be modified. We proposed that section 201 require Customs to develop performance measures needed to assess progress toward NCAP goals and to develop estimates of the costs to Customs of bringing NCAP components on line. This recommendation was based on our finding that inadequacies in Customs' management practices created trade enforcement problems. Specifically, (1) Customs' plans provide neither clear objectives nor implementation strategies, (2) Customs has experienced widespread problems in its efforts to monitor and evaluate program performance, and (3) Customs' trade enforcement efforts lack effective information systems support.

Support Staff Needed When Inspectors Increase

Customs has also identified a need for more support staff, such as clerks, computer specialists, and import specialists when the number of Customs inspectors increases. At Customs in Laredo, the agency had a 5-year freeze on hiring clerical staff, while inspection staff had grown by 34 percent. Officials there also cited problems with separation of duties regarding fee collection. The Customs District in San Diego would like to have 1 support staff for every 28 inspectors, compared to a ratio of 1 to 37 at the time of our report. Because they lacked support staff, inspectors sometimes performed clerical and security functions. These activities detracted from Customs' cargo inspection and drug enforcement mission, according to a Customs official.

Problems Recruiting and Retaining Staff

Simply authorizing and funding more positions will not solve all of the staffing problems along the southwest border. Both Customs and INS, along with community and business leaders, were concerned about the agencies' ability to hire and retain staff along the border.

A widespread concern has been the length of time it takes from announcing a position opening to actually bringing a person on board. One delay involved the background and suitability checking process. Recruiting and processing a new hire usually took 6 months and often longer. Frequently, people that were selected found other jobs in the interim.

Customs has also had a hard time keeping inspectors once it hired them for the southwest border. Customs' Southwest Region had filled 289 new positions after a recent intensive recruiting campaign. However, during that period, 100 inspector positions were vacated, thus requiring additional recruiting. Customs officials told us that most border station inspectors they lose move to other areas within the agency, often for promotions. Currently, the career ladder for Customs and INS inspectors ends at the GS-9 level. Both Customs and INS are working to move the top of the career ladder for inspectors from GS-9 to GS-11 and to have inspectors designated as law enforcement officers so they can qualify for retirement benefits after 20-years of service.

Retaining staff recruited from outside the southwest border region was also a serious problem. Often new hires from outside the area would either leave or transfer relatively quickly because of the harsh climate and unfamiliar cultures. On the other hand, recruits from the border region were not only familiar with the climate and culture, but also frequently spoke Spanish, a desirable skill for Customs inspectors along the U.S.-Mexican border. However, hiring from the local population has its own drawbacks. For example, some agency officials were worried that putting an inspector in the position of having to stop, search, and perhaps arrest a relative or childhood friend was either unfair to the inspector or might compromise his or her integrity. However, most of the people we spoke with along the border, i.e., State

¹ Customs Service: *Comments on The Customs Modernization and Informed Compliance Act* (GAO/T-GGD-92-22, Mar. 10, 1992).

and local government officials, business representatives, as well as Customs and INS staff, downplayed this concern. They said this problem was not endemic to the people that live along the border. Rather, it was a question of hiring people with integrity and good moral character no matter where they were from.

To alleviate concerns, some parties we spoke with suggested that staff hired in Laredo, for example, could work in McAllen, close by but unlikely to put an inspector in the position of knowing many of the people that come through the crossing. Likewise, one port director suggested the problem would be limited to small, isolated towns, such as Presidio, Texas, where hiring locals might be a concern because they really did know everybody in the town.

To solve the turnover problem, the Border Trade Alliance suggested that the border inspection agencies require a contractual minimum stay of 2 to 3 years as a condition of employment. A Customs official agreed such a change would be a good idea, but said that enforcement would be difficult because of hardship transfers.

APPENDIX I

Table 1.—CUSTOMS' STAFFING REQUIREMENTS

Customs district	Authorized inspectors FY 1990	FY 1990	Inspectors needed according to the model at assumed trade increases (percent)			
			10	25	50	100
San Diego	368	477	525	598	716	954
Nogales	172	188	205	233	279	372
Laredo	400	477	525	598	716	954
El Paso	250	324	356	405	486	648
Total	1,188	1,464	1,610	1,830	2,198	2,928

Notes: FY denotes fiscal year. Columns may not add to totals due to rounding.

Source: GAO calculations based on U.S. Customs Service model.

PREPARED STATEMENT OF SENATOR DONALD W. RIEGLE, JR.

Mr. Chairman, I join with you in welcoming Commissioner Hallett of the U.S. Customs Service. Her appearance before this Committee is vital as we continue to take stock of the resources and efforts of the U.S. Government necessary to improve our trade negotiations and the enforcement of U.S. trade laws.

The U.S. Customs Service is an important entity in both of these areas. In recent months, the Service has added its expertise and muscle to the North American Free Trade Agreement (NAFTA) negotiations, enforcement of the U.S.-Canada FTA (CFTA), especially with regard to Honda, and finally in the implementation of U.S. antidumping and countervailing duty laws.

In connection with the NAFTA, Customs negotiators have rightly stood up for the U.S. and North American manufacturing base. Efforts to achieve a rule-of-origin that will foster actual manufacturing, rather than mere assembly of value added electronics products have been encouraging but need to be stepped up. On the other hand, the evolving rule-of-origin on automobiles and auto parts is less encouraging. In this area, we need to prevent the misinterpretations and enforcement problems that we have witnessed under the CFTA. To date, U.S. goals in this area have not been sufficient. As many Members of this Committee have stated, Congress will not give a nod to any NAFTA that does not contain a strict rule-of-origin that strengthens our industrial base, and our manufacturing industries.

As many of us know, the Canadian FTA has presented numerous challenges to the U.S. Customs Service. I commend the efforts of the Service with regard to an issue which has economic consequences for the U.S. auto and auto parts industries—the Honda audit. In this case, the Customs Service followed the letter and the spirit of U.S. law in finding Honda in violation of the CFTA and therefore, ineligible for duty free preference under the agreement. I hope the Commissioner and her organization will exhibit the same commitment to the law as they continue to monitor enforcement of other entities under the CFTA.

Finally, the Customs Service is valuable to the implementation and enforcement of U.S. trade remedy laws. Its efforts in identifying problematic imports and collecting antidumping and countervailing duties are an important part of U.S. trade policy. Our trading partners must know through our actions that they will have to pay for their use of unfair trade practices and their adverse effect on the U.S. market

and our industries. In this light, I encourage continued aggressive duty collection by the Service as a means of recouping the trade damage that has been done to our economy.

Again, I commend the work of the Commissioner and the Customs Service and look forward assisting their efforts in the areas I have mentioned, and others in the future.

PREPARED STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

Mr. Chairman, I am pleased that we are holding this hearing today because it allows me to discuss an issue of major importance to the State of Delaware—the current and future status of the Port of Wilmington Customs District. It has recently been brought to my attention that this Customs Office may be in jeopardy.

I am very disturbed by the fact that the Customs Office at the Port of Wilmington has lost six staff personnel over the past 5 years, despite the fact that the demands on Customs have increased dramatically due to record level growth in the port's activity. The Port now has only four staff—two GS-9 Customs Inspectors, one GS-6 Inspectional Aide and one GS-11 Port Director. It is my understanding that the current staff levels are clearly insufficient, and there are growing complaints from the Port's customers. Moreover, there is a severe lack of needed up-to-date equipment, such as computers—there isn't even a fax machine in the Wilmington office.

Of even much greater concern is that the Treasury Department may be considering closing the Port of Wilmington Customs Office. I am strongly opposed to any such effort because it would bring into question the Port of Wilmington's continued viability.

The Port of Wilmington is a very significant port and it must maintain its own Customs operation. Last year, for example, the Port of Wilmington was the Nation's largest port-of-export for U.S. autos—over 100,000 autos were exported out of Wilmington. The amount of overall cargo handled has reached record levels; the tonnage handled has grown from 2.8 million tons in 1986 to 4.7 million tons last year. Major users of the port include the Big Three auto companies, Dole, Chiquita, Citrus Cool Store, oil companies, W.L. Gore, Dupont and many others, including numerous smaller companies. There are five foreign trade zones in Delaware and in-bond services at the Port. Not only does the Wilmington Customs Office provide invaluable services to ensure these major trade activities flow smoothly and efficiently, it also in charge of the Dover Air Force Base, which happens to be the largest military cargo facility on the Eastern Seaboard. Moreover, this customs office has the additional responsibility of being in charge of customs activities at the New Castle County Airport, Lewes, Delaware, Big Stone Anchorage and Delaware City, as well as the Port of Salem, New Jersey, and Penn Terminal in Chester, Pennsylvania.

In terms of the volume of cargo handled and the amount of revenue raised at the Port of Wilmington, which I understand was about \$100 million in 1991, the need for on-site Customs operations is not only obviously warranted, it is absolutely essential and should not be in question. If anything needs to be done, it should be taking steps to ensure that the resources and staff levels of the Wilmington Customs Office are sufficient to perform the duties required.

Mr. Chairman, I have a list of questions that I would like Commissioner Hallett respond to at her earliest convenience and I request that they be submitted for the record. Thank you.

COMMUNICATIONS

STATEMENT OF THE AIR TRANSPORT ASSOCIATION OF AMERICA

Air Transport Association of America (ATA) represents eighteen scheduled airlines of the United States and Canada, which together carry over half of the passenger and cargo traffic which is transported by air into and out of the United States. Facilitation of this traffic through U.S. Customs and other Government agencies' inspection formalities is an ongoing concern with our member airlines, for unnecessary delays in passenger arrivals or cargo deliveries invariably lead to the adverse economic consequences of higher costs or lost revenue opportunities. Accordingly, the allocation to those agencies of sufficient resources to implement efficient, innovative, and cost-effective inspection programs is of vital interest to ATA. We appreciate this opportunity to express our industry's views on the fiscal year 1993 appropriation for the U.S. Customs Service.

Our interests in this appropriation are threefold: Sources and uses of funds collected from international arriving passengers in the form of user fees; overtime compensation for officers performing inspection services; and further development of Customs automated programs for both commercial cargo and passenger processing.

USER FEES—ARRIVING INTERNATIONAL AIR PASSENGERS

For the past 3 years, air carriers and Customs have been working together to develop and expand the Advance Passenger Information (API) system which the Commissioner of Customs discussed in her testimony before this committee. This highly successful project was made feasible by Customs' policy decision to complement the carriers' automation resources with the agency's loaning of the document readers for use at overseas checkin points. While the carriers in the API program have realized significant facilitation benefits for their passengers, we are most interested in ensuring that Customs will have the necessary resources to continue to develop it and to share the costs by providing the essential peripheral hardware to participating carriers.

To this end we would support revisions to the Customs User Fee statute (19 USC 58c) to extend the application of the \$5 passenger processing fee to all international passengers, and to authorize Customs to apply the additional funds directly to inspection services. Our support for this revision would require the stipulation that the fees be used not only to underwrite expansion of the API program and make the aforementioned equipment loans permanent, but also to fund the expansion of inspection resources—including personnel and automated systems—to meet the anticipated growth of passenger and cargo traffic and to complete Customs' implementation of its 1990's Air Passenger Processing Concept at all U.S. and preclearance airports.

The second condition we would require in return for support of extended application of the passenger processing fee would be a renewal of Customs' undertaking not to establish any new Centralized Examination Stations at airports without the express consent of the respective air cargo communities. Four years ago, this committee was informed by ATA and representatives of other trade community sectors that the operation of a CES for cargo arriving at a single airport cost the importing public from \$500,000 to \$4,000,000 per year, while the manpower savings and other efficiencies realized by Customs in centralizing those airport facilities were relatively small. With the highly advanced cargo inspection system in place today, enhanced by automated programs, and with the addition of personnel made possible with the projected increased user fees, we believe that Customs is capable of supporting a creditable cargo facilitation program at virtually all airports without centralizing the intensive examination function. We request the Committee's support for minimizing the implementation of this costly program in the air cargo community.

OVERTIME COMPENSATION FOR INSPECTION SERVICES

After careful consideration of the various proposals to revise the "1911" customs overtime law, we have decided to support H.R. 4271, the "Rangel Bill." This bill, if enacted, would provide a new overtime system which would minimize the inequities and excesses present in the current law, while providing the individual inspectors with a fair and evenly applied compensation package. As "customers" of the Customs Service, airlines appreciate the hardships involved in performing inspection service on an overtime basis, long term, yet are heavily dependent on this service in daily operations. We believe that the trade community is best served by a compensation program that ensures the retention of a highly skilled inspector work force.

DEVELOPMENT OF CUSTOMS AUTOMATED PROGRAMS

Air carriers have long been supporters of U.S. Customs automation programs—now central to cargo facilitation—and we have worked closely with Customs in the planning and development of the Automated Manifest System (AMS). In an industry in which goods are transported halfway around the world in less than one day, an automation program which appreciably shortens an air cargo shipment's post-arrival "dwell time" enhances the value of the air transportation product. Airlines are therefore keenly interested in ensuring that Customs has the resources it needs to support a complete implementation of AMS in the air carrier and indirect air carrier community. Such support includes, but is not limited to:

- Establishment of and regular Customs participation in local air AMS/ABI community user groups for the purpose of marketing the system to prospective users and servicing the needs of participants.
- Programming of system enhancements which make the AMS/ABI partnership more productive and profitable for the users.
- Development of the "other agency interface" program until it is nationwide.
- Continuation of EDI and other data-sharing projects with Canada Customs, to facilitate the bilateral customs processing of in-transit air freight.
- Implementation of the EDIFACT standard messages as applicable to AMS.

The above listed activities are considered necessary to Customs' realization of the objectives outlined in their Five Year Plan.

SUMMARY AND CONCLUSIONS

- Air carriers support legislative changes to extend application of the \$5 Passenger Processing Fee to all arriving international passengers, provided the additional funds are earmarked for further development and funding of API and other innovative inspection programs, and provided also that Customs does not establish new Centralized Examination Stations at airports without the express consent of the affected air cargo communities.
- The airline industry supports H.R. 4271, "Rangel Bill," as an appropriate vehicle for revising the inspectional overtime law.
- The air cargo industry is keenly interested in ensuring that Customs continues to have the resources necessary to fully implement the Automated Manifest System for air cargo.

