

Electronic Industries Alliance
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February 18, 2003

The Honorable Robert C. Bonner
Commissioner
United States Customs Service
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20229

Re: Comments on U.S. Customs Strawman Proposals for the Production of
Cargo Manifest Information

Dear Commissioner Bonner:

On behalf of the Electronic Industries Alliance (EIA), this letter is a response to the U.S. Customs Service's strawman proposals regarding the electronic filing of advance information for inbound and outbound shipments on all modes of transportation.

EIA is a partnership of high-tech associations and more than 2,500 member companies whose products and services range from electronic components to complex systems used by government and industry, including a full range of consumer electronic products. U.S. electronics is a \$430 billion industry that provides 1.8 million jobs for U.S. workers. In 2001, about 40% of U.S. produced electronics – more than \$170 billion in goods – was exported overseas.

We understand that Section 343 of the Trade Act of 2002 requires Customs to promulgate regulations on the electronic submission of manifest information for all modes of transportation – air, rail, truck, and sea vessels. We appreciate the efforts of the Customs Service to seek informal input from the trade community, through your strawman proposals, before undertaking the formal regulatory process for Section 343. While EIA acknowledges and appreciates that enhancing supply-chain security is one of many important initiatives aimed at protecting our nation against terrorism, we are concerned that some particulars within the strawman proposals would seriously disrupt trade flow and impose unnecessarily burdensome requirements and costs on global businesses, including the high-tech and electronics industry.

The following are key concerns of EIA regarding the proposals:

1. Unworkable Time Requirements

The Customs Service has proposed different time requirements for filing manifest information for various modes of transportation. EIA submits that these time frames are too restrictive and would have a crippling effect on our members' ability to satisfy inventory and production demands. Typical of many global businesses, high-tech and electronics companies have significantly streamlined operations and reduced costs by eliminating large inventories of parts and components. Accordingly, preserving the just-in-time inventory system is essential for the financial health of the high-tech industry.

The practical effect of these proposals would be the addition of another day to the shipping cycle. In the electronics industry, components such as replacement machinery and repair parts are often required immediately. These shipments are ordinarily requested and shipped on the same day. A delay of even a few hours would lead to down time of costly production facilities.

The lead-time requirements for air and truck shipments are particularly burdensome for the industry. Air freight is the principal mode for the industry's international shipments, and a requirement that air freight manifest data be filed eight to 12 hours before lading would be unreasonably onerous. At a minimum, EIA requests that Customs consider reducing the lead time for the filing of air freight data to the lead time proposed for air courier shipment data.

Many of our member companies also maintain cross-border manufacturing facilities, most notably *maquiladoras* located on the U.S./Mexican border. U.S. and cross-border plants, with extremely tight delivery and pick-up cycles, use back-and-forth trucks to supply parts for finished good production, as well as for shipping completed products to the U.S. Our members estimate that requiring truck freight data four hours before lading would likely delay until the next day crossings at such busy border stations as Otay Mesa. This delay could extend to two days after weekends and federal holidays since factories work 24/7, even if the Customs Service is closed. With limited warehouse and parking space for these overflows at *maquiladora* facilities, factories will look for non-warehouse space, increasing the chances of damage and theft. Over the past decade, *maquiladora* factories have increased their efficiency and competitiveness by using EDI transmissions to decrease documentation processing from two days to four hours. The four-hour proposal for truck shipments would turn back that improvement and would have serious repercussions on the viability of *maquiladoras* and other cross-border facilities. This risk is further increased by the ever-mounting low-cost competition from electronics manufacturers in China and other Asian countries.

2. Require Manifest Information Prior to Arrival

The time sensitivity of business production cycles in the electronics industry, as illustrated above, requires a significant reduction of lead time in providing the manifest information. EIA recommends that the advance information be measured against the point at which the goods arrive at the border rather than the point at which the goods are laden, as is proposed. This would allow the Customs Service sufficient time to collect and analyze data in order to stop problem shipments prior to their arrival, and, at the same time, benefit the trade by providing the necessary additional time to submit this information.

EIA will continue to monitor and review developments with respect to the advance manifest proposals. We hope that Customs will revisit these proposals with a focus towards revisions that minimize disruption to international trade. EIA appreciates the opportunity to provide input to the Customs Service on these proposals, and we look forward to a continued productive dialogue.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Kelly", with a long, sweeping underline.

Brian Kelly
Senior Vice President
Government Relations and Communications