



Importing to the US under the new Customs regulations

Responding to the new 24 hour advance manifest rule

Executive summary

On December 2, 2002, U.S. Customs will begin to enforce a rule that all ocean cargo bound for the US must be declared to Customs 24 hours prior to vessel loading. Failure to provide complete and timely documentation will result in cargo that carriers will not load or that Customs will not permit to unload. Importers will need to make sure that their suppliers and logistics providers comply with the regulations, or risk having cargo stranded at origin or, even worse, on an inbound vessel that cannot be unloaded.

Importers and their 3PLs are faced with an immense problem - having to track the accurate filing of documents every single day from locations around the world. The most successful organizations will use collaborative networks to:

- Report on all documents submitted to carriers
- Receive alerts on shipments which are missing documentation
- Maintain a clear good audit trail of all documents submitted
- Link directly to carrier documentation systems to eliminate data-entry errors

For now, this rule applies to US-inbound cargo only. However, the industry can expect equivalent rulings within the next 12 months from other jurisdictions worldwide in response to terrorist and other security threats. Portals, such as GTN, offer the most efficient means to link all the parties, provide a central data repository and generate key alerts.

Overview of the ruling

The ruling amends customs regulations to require presentation of the vessel cargo declaration 24 hours before US-bound cargo is laden on board a vessel. The cargo may be destined for US import, or for trans-shipment in the US, or may simply be freight remaining on board a vessel with origin and destination outside the US (FROB). The cargo declaration is derived from Bill of Lading data submitted by exporters and origin forwarders.

Vessel-operating carriers are required to transmit full details of all shipments to Customs, including:

- Shipper's complete name and address (actual origin of cargo)
- Consignee's complete name and address (final recipient of cargo, or cargo owner for "to order" shipments)
- Precise description of cargo or first 6 digits of harmonized code ("FAK", "chemicals" and other generic descriptions are not acceptable)
- Quantity, packaging and weight of the cargo ("pallets" is not acceptable)
- Container and seal numbers

A container that consolidates 5 separate less-than-container-load (LCL) shipments would need to include these details for all 5 shipments.

Non-vessel operating carriers (NVOs) may file cargo declarations independently, so long as the following are true:

- The NVO is licensed by or registered with the Federal Maritime Commission
- The NVO has posted an International Carrier Bond with US Customs
- The NVO has an electronic link to the Vessel Automated Manifest System (AMS)

NVOs who file directly with AMS will need to coordinate with vessel operating carriers to avoid duplicate filing, and to ensure that a carrier's operational changes are correctly transmitted to the NVO.

The effective date is December 2, 2002, with a grace period of 60 days. From February 1, 2003, US Customs will begin levying fines against the master of the vessel for incorrect manifests, and will refuse permission to unload improperly documented cargo.

The full ruling can be found at:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002_register&docid=02-27661-filed.pdf.

Effects on the industry

Documentation has not traditionally been an important part of getting cargo out of a foreign port. Exporters and forwarders have typically faxed Bill of Lading Instructions to carriers any time from 3 days prior to vessel sailing to 7 days after vessel sailing, depending on the trade lane. Carriers aggregate the B/L data and send it to US Customs, mostly via the electronic AMS system. Exporters do not need to submit the B/L instruction to get the containers loaded on a vessel. The contents and timing of the B/L have been driven by operational, financial, and legal considerations.

Now the manifest must be filed 24 hours before vessel loading, so B/L instructions must be filed significantly ahead of the vessel sailing *and* the contents of the B/L must comply with US Customs rules.

The result is that importers and 3PLs must pay close attention to the filing of B/L instructions, a detail that was unimportant before. Documentation failures will become a key vulnerability in the supply chain.

Monitoring documentation efficiently with technology

When B/L Instructions are submitted via fax into a busy carrier documentation center, there is no clear way for the importer or 3PL to know that this key step was completed. There is also no system to generate alerts if it looks like the documents are running late.

With a network of forwarders and suppliers tied together with carriers and NVOs, the importer has full visibility into documentation activity worldwide. By simply passing bookings and B/L instructions into the network, the forwarders and suppliers can reassure the importer that there need be no delay. There is also a crucial audit trail for US Customs and carriers in case disputes arise. The beauty of such a system is that it can also generate alerts to check that B/L instructions have been submitted in good time. Exceptions can be quickly handled to prevent stranded cargo.

Finally, when such a network is actually integrated into carrier systems, there is no manual entry or paper handling so accuracy is much higher. Because electronic filing of B/L instructions is available, carriers can offer incentives to their customers to use this option, for example later documentation cut-off times or reduced documentation fees.

Portals such as GTN offer the most efficient way to link all parties together while offering the required reports and alerts to keep cargo moving. Without these networks, importers will add significant risks to their supply chain in 2003 and beyond.

To learn more about how the GTN portal can be used to help ensure your containers move as planned, visit www.gtnexus.com/gtn.