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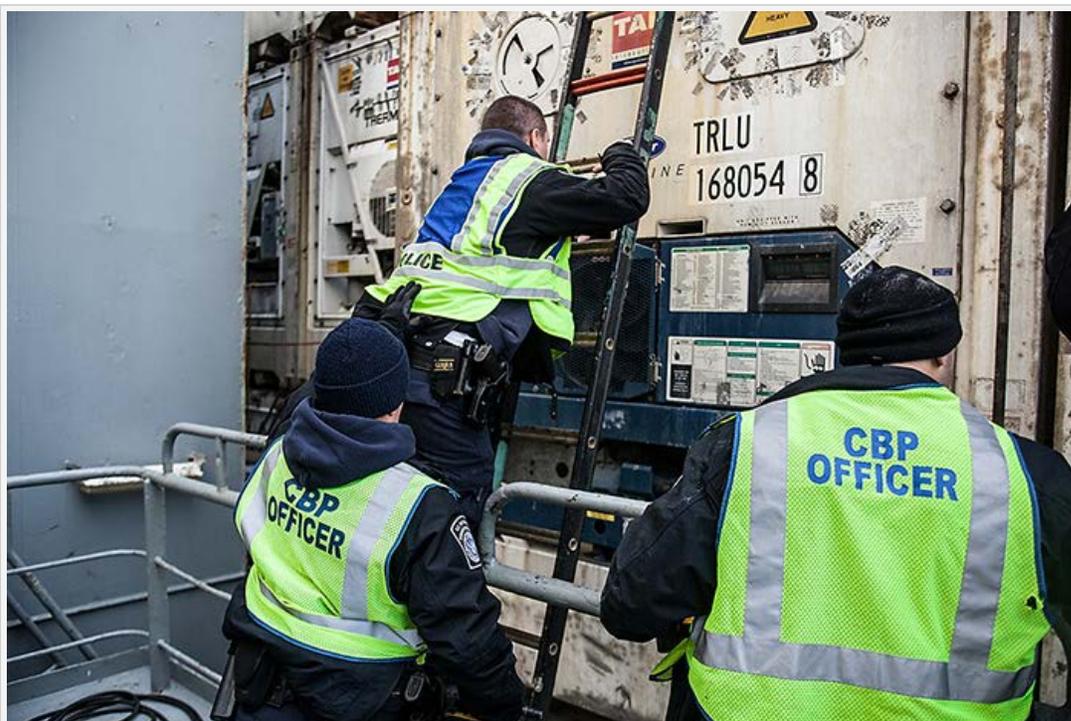
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## US watchdog: No way to tell if importers gain from C-TPAT

Reynolds Hutchins, Associate Editor | Feb 14, 2017 6:06PM EST

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It costs tens of thousands of dollars to join and maintain membership in US Customs and Border Protection's Customs-Trade Partnership Against Terrorism program.

WASHINGTON — A congressional watchdog says there's no way of telling whether US importers gain any benefit from joining [US Customs and Border Protection's](#) C-TPAT cargo security program that's meant to reduce the chances participants' cargo will be stopped for inspection.

The US Government Accountability Office's report on the Customs-Trade Partnership Against Terrorism is just the latest criticism of a program that has seen membership [plateau](#) and negative reviews mount since starting 15 years ago. Customs has said C-TPAT verified importers are three-and-a-half times less likely to have their shipments examined by the agency, seven times less likely to see their cargo go through extensive examination, and are eligible for priority treatment during major supply chain disruption. Some shippers, however, have argued the program's requirements and potential costs outweigh the agency's assurances.

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The recent GAO report only strengthens those shippers' arguments and weakens Customs' claims.

"CBP cannot determine the extent to which C-TPAT members are receiving benefits because of data problems," according to the GAO report published Feb. 8.

Specifically, the GAO found that data compiled since 2012 on arriving shipments — such as examination and hold rates and processing time — for both C-TPAT and non-C-TPAT members could not be relied on to accurately measure C-TPAT member benefits.

Customs was not available for comment Tuesday.

"This does not surprise me in the slightest that we would discover there were questions about the statistics," Pete Mento, a principal in the customs and foreign trade practice at global tax services firm Ryan, told JOC.com.

Mento, who has been involved with the C-TPAT program since day one and has helped hundreds of companies reach certification, said the report cites inaccurate data on the most salient areas of benefit: processing times, examinations, and holds.

He said the report should and must be met with outrage from US importers, thousands of whom have spent time and money to receive C-TPAT certification — which means little more than a rubber stamp to many now.

C-TPAT is a voluntary public-private partnership program under which Customs evaluates member organizations' supply chain security practices against minimum security criteria in exchange for benefits such as reduced shipment inspections. The program began in November 2001 and today there are more than 11,325 certified companies, including 4,246 US importers. These companies account for over 54 percent, by value, of what is imported into the United States, according to Customs.

The program is free to join, but implementation and maintenance come at a cost. A Customs survey found that the three greatest C-TPAT implementation costs incurred include improving and implementing physical security, averaging \$15,000; improving and implementing IT systems and database development, averaging \$12,500; and the salaries and expenses of personnel hired or contracted specifically to implement and manage the C-TPAT program, averaging \$12,000. Maintenance sets shippers back even more: salaries and expenses of personnel hired and contracted specifically for implementation of C-TPAT cost \$7,500 on average; improving or implementing use of security personnel, \$5,100; improving or implementing physical security, \$3,000.

"It makes it very hard for them to justify being a member of this program now, when the benefits can't be measured," Mento said. The GAO report calls into question Customs' claims that the import community, by and large, has always found dubious, he said. Specifically, Mento cited promises that during a major supply chain disruption — such as a port strike, terrorist attack, or natural disaster — C-TPAT members will be given preferential treatment.

"I hate to use a word like absurd, but it's absurd," Mento said. "It just seems preposterous, given the masses of traffic, given the backlog of vessels. You're going to tell me that one particular container on one particular ship is going to be singled out and taken off a vessel whereas others are not?"

The reason why shippers aren't leaving the program en masse, Mento said, is because there is at least some merit to being in a partnership with Customs. "The true benefit of the program is that the companies that decide to treat it seriously have a more secure supply chain. The true benefit of the program is that companies have a partnership with Customs, a contact at Customs."

But Customs will need to vastly improve those benefits if it plans on increasing, or even retaining, membership in the



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wake of the GAO report. The good news, according to Mento, "The solutions to making C-TPAT work are very simple."

The best way to improve C-TPAT is to streamline the program's clearance of cargo with the 41 other regulatory agencies involved in allowing shipments into the country, according to Marianne Rowden, president and CEO of the American Association of Exporters and Importers.

"Companies have complained for years about not getting benefits," Rowden told JOC.com, "but we did not attribute it to faulty data by CBP."

Fourteen of those 41 regulatory agencies, including the Food and Drug Administration, can hold up the release of imports. The program would be more attractive to pharmaceutical companies, for example, if they knew their C-TPAT membership would help speed safety checks from the FDA, not just security checks performed by Customs.

Rowden said her organization plans to discuss the GAO report and field feedback at its upcoming Customs Committee meeting later this month.

Mento said he'd like to see the program institute a dollar-for-dollar tax credit for member organizations that could spur investment in increased cargo security. "One of the main problems with C-TPAT is we do not invest in cargo security. Most companies who get C-TPAT certified make no appreciable change to their security."

Anything, he said, to provide more structure to a program that has a reputation for being nebulous — and now has a GAO report to justify that reputation.

"Something has to be done to overcome this notion that there are no real guidelines and structure. There needs to be some basic requirements that are done jointly between the trade and Customs. There needs to be hard, set standards and people need to be accountable," Mento said.

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