

*Customs-Trade
Partnership Against Terrorism*

A GUIDE TO PROGRAM BENEFITS

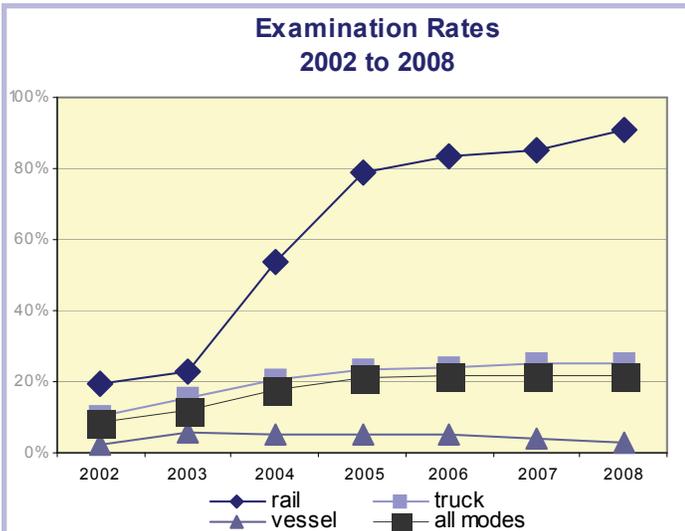
US Customs and Border Protection C-TPAT Program, Office of Field Operations

Examination Statistics Post 2001

This brochure has been developed to generally explain the benefits of C-TPAT membership. Examination benefits are an important part of the C-TPAT Program.

The program has indicated from its inception that C-TPAT importers are 4 to 6 times less likely to incur a security or compliance examination.

To understand the scope of this benefit it is important to understand the extent to which CBP examination rates have increased since 2001. CBP has significantly increased its exam rates over the last several years due in large part to the increased use of Non Intrusive Inspections and other targeting tools. The following is a breakdown of examination rates by transportation mode from FY 2002 to 2008:



The calculations to the right reflect exam rates multiplied by the number of containers which crossed U.S. borders in 2008 per mode of transportation. These rates for 2008 show that exam rates have significantly increased on all cross border movements since 2001. Thus, if C-TPAT members state their 2008 exam rates are lower than these levels (many say they are significantly lower) then the C-TPAT program is delivering on the expectation of fewer examinations for its members.



11 million truck containers crossed our borders

11 million multiplied by the exam rate of 25.2% = 2,772,000 exams
-or-

1 in every 4 trucks was examined.



11.3 million sea containers crossed our borders

11.3 million multiplied by the exam rate of 3% = 339,000 exams
-or-

1 out of every 33 sea containers was examined.

2.7 million rail containers crossed our borders

2.7 million multiplied by exam rate of 90.9% = 2,454,300 exams
-or-



A 68% increase in exams from 2002.

25.1 million crossings for all modes

25.1 million multiplied by the exam rate of 22.4% = 5,565,300
-or-



One exam occurs every 5 movements.

C-TPAT PARTNER BENEFITS

"We understand that as America's frontline, the security of a nation rests on our shoulders. We have learned the lessons of 9/11 and are working day and night to make America safer and more secure."

Former CBP Commissioner Robert C. Bonner

Tiered Benefit Levels for importer partners ensure that examination benefits are commensurate with the partner's status in the program and are recognized by the Security and Accountability for Every (SAFE) Port act. Minimal program benefits are afforded until after an on-site validation is performed to confirm that the C-TPAT member has in fact adopted tighter security measures. The highest level of program benefits are awarded to those partners that exceed the minimum-security criteria through innovation and dedication to excellence. Several statistical measures are displayed below which demonstrate the approximate size of the C-TPAT membership in terms of import value and entries filed. It also quantifies in approximate terms the relief from examinations that a C-TPAT participant can realize based upon its Tier level.

Free and Secure Trade (FAST) lane access is given to those C-TPAT members who are certified members of the program. C-TPAT compliant shipments entering the U.S. from either Canada or Mexico are able to use designated lanes at numerous border crossings and have special consideration during the examination process. Highway Carriers view FAST as a substantial benefit as it saves border crossing time and is an excellent marketing tool to show potential customers they are in compliance with C-TPAT security criteria.

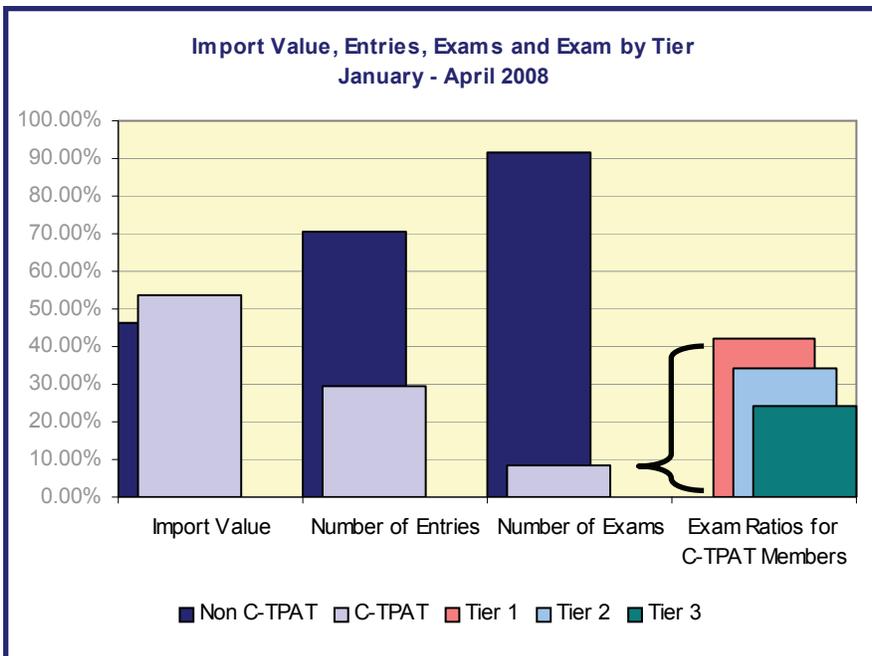
Stratified Exam Benefit provides relief to program members in the form of cost savings. An examination may be required on an entry that has many line items, yet only one of those line items is the subject of a compliance exam. This often meant that multiple container shipments must be held for only one line item, yet storage costs will be collected on all the containers. C-TPAT created the stratified exam benefit as a means to alleviate this additional cost. This benefit allows the Importer to move all but the container that actually has the line item in question to their premises. The Importer must ensure the containers that are moved remain sealed and available for inspection should CBP decide to examine them but one can immediately recognize the benefit of only paying storage for one container on an entry that may actually have eight.

Front of the Line privileges are granted to C-TPAT containers that are selected for an examination. To the extent possible and practicable the containers can be moved ahead of any non C-TPAT shipments awaiting exam, regardless of how long they have been there. This can translate into substantial monetary savings in that containers will not wait as long in line at a Container Examination Site and although they are still being examined, they will be processed more quickly than non members.

Business Resumption is a benefit that many in the C-TPAT program may not view as tangible but certainly a significant reason for joining a program. CBP has conducted comprehensive business resumption planning in the event of a significant disruption in the flow of trade to ensure actions are taken to maintain communication and coordination of CBP processes at our border with U.S. Government and foreign government stakeholders, as well as the trade community. C-TPAT status will be taken into consideration when CBP resumes the processing of shipments.

Marketability through involvement in C-TPAT can be associated with things that every company needs to maintain:

reputation and brand equity. Much like certification with other U.S. government agencies or the International Standards Organization (ISO) C-TPAT membership can raise a company's reputation and ability to secure business. C-TPAT requires contractual language for its members when choosing service providers. Many companies have taken this a step further and prepared contracts that not only require C-TPAT criteria compliance, but actual C-TPAT membership. Companies eligible to



apply and which are involved in the international supply chain can readily improve their marketability and overall brand equity through C-TPAT membership.

Mutual Recognition will eventually lead to the globalization of supply chain security standards and be of paramount importance for those companies seeking true global supply chain security benefits. CBP has signed mutual recognition agreements with: New Zealand, Canada and Jordan. Companies which participate in C-TPAT will have the assurance that their standing in the program will be made available if they so chose to those foreign Customs Administrations with which CBP has signed a mutual recognition arrangement. Foreign customs administrations will be able to factor this information into their own risk determinations which may lead to fewer, less redundant validations. Mutual Recognition will result in end to end supply chain security.

C-TPAT PARTNER BENEFITS

The **Fight Against Terrorism** is the most statuesque benefit of C-TPAT and allows CBP and those members of the trade community who are willing to go the extra step to work together to enhance international supply chain security and prevent potentially crippling economic disruption.

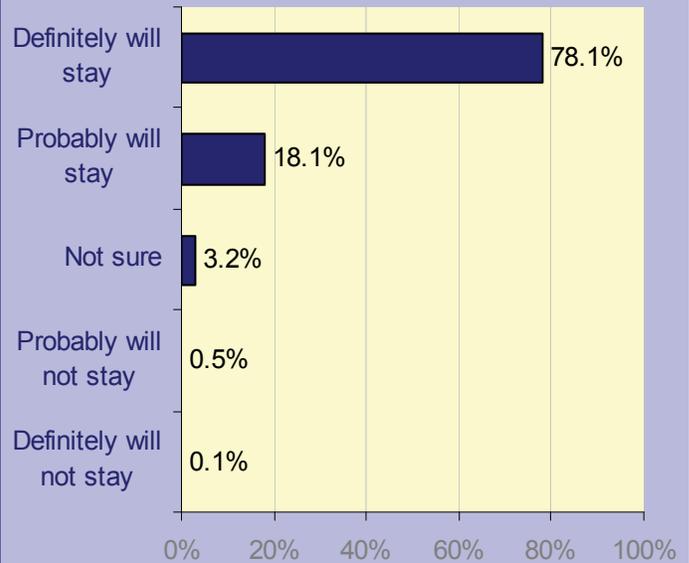
Improving Supply Chain Efficiency as well as Security

The **University of Virginia (UVA)** surveyed more than 1,700 C-TPAT members in 2007 regarding their views of the benefits and costs associated with membership in the program. The study identified several tangible and intangible benefits associated with the program. Several of the findings and conclusions are restated below and to the right.

- C-TPAT benefits equaled or outweighed the affiliated costs
- Greater ability to predict lead time
- Decrease in supply chain disruptions
- Decrease in wait times for carriers at border
- Increase in number of customers and revenues
- Establishment of supply chain security procedures where none existed before
- More frequent review of service providers security standards
- Reduce cargo theft and pilferage
- Improve security for workforce

Interested parties are encouraged to view the complete survey results at WWW.CBP.GOV.

Partnership Retention Reflects Good Reasons To Join



Other C-TPAT Benefits

- Access to individually assigned Supply Chain Security Specialist (SCSS) to discuss security issues
- Input into further development of C-TPAT program
- Invitation to attend C-TPAT training and seminars such as the annual C-TPAT symposium which provides opportunities to network with other C-TPAT members
- Access to web based C-TPAT Portal system and “Public Library” of training materials and information

Future C-TPAT Benefits

Since its inception C-TPAT has made remarkable strides in developing program benefits and will continue to explore new benefits that are relevant to a security focused program. Key points in this regard include:

- Benefits must continue to be within the of control of both CBP and the C-TPAT program and have connectivity to current benefits
- Benefits must have realistic applications (e.g. 100% relief from examination or no payments of duty are not plausible)
- C-TPAT will examine the Tier benefit structure in an effort to ensure that the program is addressing the needs of its current and future members as well as the needs of CBP.

Potential Benefits for all Businesses According to the UVA Study

Items	Mean**
Reduce time and cost of getting cargo released by CBP	3.78
Reduce time in CBP secondary cargo inspection lines	3.72
Improve predictability in moving goods and services across borders	3.65
Reduce penalties	3.45
Generate significant opportunities for cost avoidance	3.43
Improve security for workforce	3.41
Reduce cargo theft and pilferage	3.40
Access to FAST program	3.35
Improve asset utilization	3.24
Reduce insurance rates	3.15

****Mean rating on a 4-point scale:**
(extremely important to extremely unimportant)

“We know that we’re going to have to focus more of our energies on trade enforcement and facilitation”.

CBP Commissioner Ralph Basham at recent 6th quarterly meeting of the 10th term of the Departmental Advisory Committee on Commercial Operations (COAC)

C-TPAT TESTIMONIALS

“Given the nature of our business Pfizer has always had a focus on supply chain security. We are delighted to work with CBP in partnership to hone in on potential gaps.” Anthony Barone, Director, Global Logistics Policy, Pfizer Global Manufacturing.

“The audit from our perspective went very well. Our Supply Chain Security Specialist was very professional, well organized, and really seemed to know the business. The C-TPAT program is truly a partnership, and the validation process proved that.” David G. Sprankle, Assistant Chief of Police-US, Canadian National Railway.

“Yes, C-TPAT membership has definitely helped our import activity, we have experienced far less delays in the custom clearance of our cargo arriving from Europe. This not only saved us valuable time in getting our merchandise to our customers, but also money. So, overall we think it is very beneficial to our business.” Laura Kope, Trust International Corp.

“The SCSS team’s approach was flexible in both the preparation and validations of our facilities. They provided practical recommendations that made a big impact on our supply chain security with only minimal changes to our security practices and limited investment to the company.” Frank Chioccola, Senior Manager, Global Customs & Trade, PepsiCo International.

“Our transporters, which are all C-TPAT accredited, can use at the U.S. border the ‘FAST Lane’ which minimizes the time to cross the border. Only two (2) of our transporters were inspected since our accreditation in November 2007. All of our suppliers and new suppliers can be checked in the C-TPAT Web Portal, which is an excellent tool. It contains all new exigencies, news and it is a direct link to CBP”. Confab Laboratories Inc.

“We use the FAST lane almost exclusively for shipments from our plants in Mexico to the US. This allows us to have predictable transit times, which, in turn, allows us to schedule carriers to pick up goods and maximize the efficiency of our suppliers, our freight carriers, and our workforce. This predictability also enables us to provide consistent delivery information to customers which contributes to overall customer satisfaction. **C-TPAT has become integrated into our business practices at A.O. Smith. It is part of our corporate culture.**” Kathleen Neal, LCB, CSC/P, Director, Trade Compliance, A.O. Smith Corporation

“The message from most companies is: ‘It’s well worth it to be part of this security program.’ That bodes well for the program’s continued growth and for our nation’s safety.” David Hartman, Senior Research Director at the University of Virginia Center for Survey Research.

“Over the course of Wet Seal’s participation in the C-TPAT program, Wet Seal has implemented a number of security improvements that have resulted in the realization of measurable benefits to the company.... I am very proud of the accomplishments Wet Seal has made in our security and supply chain processes as a result of our participation in the C-TPAT program. I am confident that we will continue to develop innovative and improved processes as the program develops and I look forward to our continued participation and partnership with CBP.” Anthony Melendez, Director of Imports and Customs Compliance, Wet Seal/Arden B



U.S. Customs and Border Protection



For More Information on this or other C-TPAT issues, please visit the C-TPAT website at:

http://www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/

Or email the C-TPAT Industry Partnership Mailbox at:

industry.partnership@dhs.gov