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Mr. Chairman, Ranking Member Brady, and Members of the Committee, thank you for the opportunity to appear here today to discuss the Treasury Department's responsibilities for customs revenue functions and the International Trade Data System (ITDS).

Treasury Responsibility for Customs Revenue Functions

As the Committee is aware, the Secretary of the Treasury has authority for "customs revenue functions," as defined by The Homeland Security Act of 2002. Customs policy is important to the Treasury Department not only for revenue collection, but also because taxation and regulation of international trade has an important effect on our economy and on promoting global growth.

Authority for enforcing the laws involving customs revenue functions has been delegated to the Department of Homeland Security (DHS), but the Treasury Department has retained sole authority to approve regulations involving revenue or regulating trade for economic purposes including import quotas, trade bans, user fees, origin, copyright and trademark enforcement, duty assessment, classification, valuation, preferential trade programs, and recordkeeping requirements. The Treasury Department also reviews Customs and Border Protection (CBP) rulings involving these topics that constitute a change in practice. In addition, the Treasury Department shares the chair of the Commercial Operations Advisory Committee (COAC) with CBP.

As part of the Treasury Department's responsibility for customs revenue functions, we have worked with DHS and CBP over the past year on particular areas of concern to this Committee.

One area of concern to the Treasury Department, CBP, and other trade agencies has been problems in collecting antidumping and countervailing duties. In response to Congress' interest in this area, the Treasury Department has provided two reports on this issue in recent years. Although CBP's overall duty collection rate is over 99 percent, CBP is able to collect less than 50 percent of antidumping and countervailing duties that have been retrospectively assessed. The conclusion of our reports is that the chief obstacle to ensuring collection of retrospectively assessed duties is the absence of adequate security, such as cash deposits or bonds. This problem has been exacerbated by unscrupulous

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importers who knew they were likely to incur retrospective duty assessments and absconded when payment was due. We and CBP are also working with colleagues at the Department of Commerce to prepare a report requested by Congress on the relative advantages and disadvantages of prospective and retrospective anti-dumping and countervailing duty systems, including the extent to which the respective approaches would minimize uncollected duties and reduce incentives and opportunities for evasion of the anti-dumping and countervailing duty laws.

International Trade Data System (ITDS)

Another area where the Treasury Department has worked closely with CBP is the International Trade Data System (ITDS). The SAFE Port Act (P.L. 109-347, October 13, 2006) formally established ITDS and gave the Secretary of the Treasury the responsibility to coordinate interagency participation in ITDS in consultation with an interagency committee consisting of the agencies participating in ITDS and the Office of Management and Budget (OMB).

The International Trade Data System (ITDS) project is an interagency effort to build an electronic “single-window” system for reporting imports and exports to the government. Currently, importers or exporters must make redundant reports to multiple agencies. The goal of the International Trade Data System (ITDS) Program is to eliminate redundant reporting by creating a “single-window” system, replacing multiple filings (currently often made on paper) with a single electronic filing. Relevant data will be distributed electronically to the appropriate agencies, providing agencies with the ability to process that data electronically. Agencies will obtain data more quickly, be able to process cargo more expeditiously, and be better able to identify unsafe, dangerous, or prohibited shipments.

In addition to reducing costs for business and government by eliminating these redundant reporting requirements and systems, the shared ITDS system will enhance the ability to identify risky cargo, persons, and conveyances, will collect trade data that are more accurate, complete, and timely, and will speed cargo processing.

Currently, 47 agencies, including CBP, are working together to implement ITDS. The interagency ITDS Board of Directors, chaired by Treasury, coordinates interagency participation in ITDS. CBP has the responsibility of building ITDS functions into ACE, CBP’s new trade processing system..

Section 405 of the SAFE Port Act formally established ITDS and directed the Secretary of the Treasury to coordinate interagency participation in ITDS through a steering committee consisting of the agencies participating in ITDS and the Office of Management and Budget (OMB). The SAFE Port Act requires all “agencies that require documentation for clearing or licensing the importation and exportation of cargo” to participate in ITDS.

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Status of Implementation of ITDS

Some ITDS functions are partly operational. Agencies are able to obtain electronically some data reported to CBP, but no new specific data required by other ITDS agencies is being collected and no new “single-window filing” functionality has yet been implemented.

ITDS has made some import data that CBP already collects electronically available to other agencies. Some agencies have used that data well to interdict shipments and also to eliminate paperwork requirements.

Delays in the ACE schedule have delayed delivery and planning of ITDS functions. CBP management has recently re-focused its attention on ITDS, but ACE delays have made it difficult for ITDS agencies to plan for their future operations with ACE and to plan investments in their own IT systems intended to work with ACE. Important decisions regarding technical interoperability, such as the type of file transfer protocols to be used, are still pending.

Uncertainty about the ACE schedule and the functionality that ACE will be able to provide has caused some agencies to consider using their own systems for collecting data from importers. If implemented, these systems would operate in parallel with CBP collections, and be inconsistent with the single-window concept of the SAFE Port Act. A final concern is that further delay could result in agencies losing the knowledge and expertise they have developed in preparing to implement ITDS.

The Way Forward for ITDS

Fortunately, work accomplished by CBP and other ITDS agencies to date means that the effects of ACE delays on the ITDS program can be mitigated. Working with CBP staff, the ITDS Board of Directors has recommended three concrete measures to advance the ITDS program.

First, CBP can immediately add data elements required by other agencies to the major import reporting messages (manifest, entry, entry summary). We would then be able to immediately begin to collect ITDS data for other agencies through ABI (Automated Broker Interface – the data intake module for both ACE and ACS, CBP’s current trade processing system) and then make that data available to agencies through the ACE Data Warehouse. CBP is often called upon to add new data reporting requirements to its electronic systems and has a demonstrated ability to do this quickly and efficiently. (Implementation of the Lacey Act and softwood lumber legislation are two recent examples.)

Immediately collecting ITDS data through ABI would not only mitigate current delays, it would also:

- Make import safety agencies better able to interdict unsafe shipments,
- Prevent proliferation of separate and redundant import reporting systems, and

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- Prevent loss of agency expertise with regard to ITDS.

Second, CBP can develop the capability to accept transmission of “imaged” forms (such as .pdf files) which may currently only be submitted on paper. Such imaged forms could be transmitted as “attachments” to filings with CBP and then forwarded to the relevant agencies. For some seldom-used paper forms this could be a permanent solution, but even in the case of data that would eventually be collected through electronic data interchange (EDI), this approach could quickly provide significant near-term benefits, even if done only on an interim basis, by allowing electronic filing for entries that currently require the filing of supplemental paper forms.

Third, CBP can complete its plans for ITDS and make decisions related to the technical interoperability with other agencies’ systems, in order to allow other agencies to continue with their plans for using ITDS and investing in automated systems to work with ACE/ITDS.

Benefits of ITDS

Once fully implemented, ITDS will have a number of significant benefits to the private sector and the government, including:

- Reducing the burden on business and increasing the efficiency of the government’s collection of international trade transaction data by substituting standard electronic messages for the redundant reporting – often on paper forms – that occurs today.
- Enhancing the ability of CBP and other agencies to target risky cargo, persons, and conveyances.
- Extending the capabilities of ACE by bringing together critical security, public health, public safety, and environmental protection agencies through a common platform, fostering an “account management” approach to importing.
- Reducing the technical barriers to authorized sharing of data with other governments by accepting electronic filings reported using international standards for trade reporting (World Customs Organization standards).
- Improving compliance with laws and regulations that apply to:
 - Carriers – for example, highway safety and vessel clearance requirements,
 - People – for example, immigration requirements for drivers and crews of commercial conveyances, and
 - Goods – which consist of several hundred laws including those addressing public health and safety, animal and plant health, consumer protection, and enforcement of trade agreements.
- Providing convenient access to data on international trade that are more accurate, complete, and timely for Federal agencies with a statistical mission.
- Providing a single billing and collection point for the variety of taxes and fees incurred by traders.
- Providing Federal agencies with a convenient, single point of access to data on trade transactions, with each agency having its own, and appropriate, level of access.

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Conclusion

Despite the challenges we currently face, I am confident that the ITDS program can be successfully and expeditiously implemented. Commissioner Bersin and I have already discussed finding ways to most expeditiously move forward. On behalf of the entire ITDS Board of Directors I can say we look forward to working with him and this Committee to make ITDS a success.

Mr. Chairman, thank you again for the opportunity to testify before the Committee this morning. I would be happy to answer any questions you may have.