

Trade Compliance Matters, But So Does Economics

Firms with vision will leverage automation as an economical way to trade compliantly at a time when change is the only constant.

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Today, national security issues impact how firms trade, and, like it or not, these laws and regulations grow in number and complexity daily. Manufacturers require an economical way to stay abreast of ever-changing import and export requirements and generate all the documentation needed to be compliant. Serra International, Yamaha Corp. of America and Michael R. Spano & Co. each faced different security-related business challenges, but found that automation yielded a solution for today's needs and the changes tomorrow will bring.

Trading compliantly adds to a company's cost of doing business. Regardless of industry, any firm that imports and exports must designate resources to the "work" of moving goods compliantly-screening, generating paperwork, filing documentation and so on-or hire someone to do that work on its behalf. Even these so-called "trade specialists" are hard pressed to keep up with the latest regulatory requirements, accommodate increasing workloads and still turn a profit. Luckily, automation offers an economical way to trade compliantly.

Consider, for example, Serra International, Inc., a freight forwarding and customs house brokerage services firm headquartered in Jersey City, N.J. Serra specializes in shipping export-controlled products. Many of the items it ships are dual-use components, meaning they can be used for both peaceful and military purposes. Recent media reports on how Iran is allegedly using the port of Dubai to smuggle sophisticated dual-use electronics dramatically illustrates the need for security over such items and the scrutiny the U.S. exercises over their import and export.

Serra must classify products correctly, acquire export licenses and comply with stringent U.S. and foreign government documentation requirements. Daily the list of denied parties can change. And, because a discrete annual dollar limit attaches to each license it acquires, Serra must track the value of goods exported per license on an ongoing basis. What's more, the firm must track these totals using multiple numbering schemas because many supply chain partners use differing numbering systems such as contract number, purchase order number, U.S. DoD part number, foreign entity part number, etc.

Serra met all the requirements associated with shipping controlled materials to foreign governments, military organizations, aerospace firms and others through technology. Vincent DiPilato, Serra CIO and Compliance Officer, advises that by "automating all the labor-intensive tasks, automatically pre-classifying products, pre-screening supply chain participants, determining supporting documentation requirements, populating all forms automatically, storing documents and receiving alerts if key information is missing, we actually saved time and money."

DiPilato explains, "I estimate we save 15 to 30 minutes per shipment due to automated screening capability. Plus, our system's Track-and-Trace engine gives our customers controlled access to our database. So, when we get an electronic notice that Customs has released a

shipment or if we issue an order to pick up a shipment, the information is available real-time within our system. Our customers can log on 24 hours a day, 7 days a week and view the most current product information themselves, without involving our personnel. The impact on staff workload has been dramatic, reaping even more savings." Plus, because its solution is ABI certified, Serra receives real-time updates on any changes directly from U.S. Customs as they happen, assuring the firm always possesses the latest information available and can avoid the severe penalties that noncompliance can bring.

The Importer Security Filing (ISF) regulation, better known as 10+2, presents other security-related issues affecting businesses. It requires importers shipping cargo to the United States via ocean-going vessels to electronically provide Customs 10 data elements prior to ship departure. Each violation carries the potential for a \$5,000 fine, and substantial penalties can accrue quickly.

While the premise behind 10+2 seems straightforward enough-report 10 data elements prior to setting sail-a firm's operating structure or concerns over the privacy of client information, for example, can complicate matters and add costs.

Yamaha Corp. of America provides an interesting example relative to 10+2 implementation. It has headquarters offices in the United States and in Japan; 14 Yamaha and OEM (original equipment manufacturer) manufacturing facilities across Asia; and approximately 30 other shipping agents contributing data to the firm's 1,700+ annual ISF filings. If the organizational structure were not complicated enough, the level of complexity is heightened by different corporate units employing different product codes for the same Yamaha musical instruments, electronics and audio products.

Juna Kim, Import/Export Director for Yamaha, comments, "In looking for a 10+2 solution, we needed a system that could handle diverse product codes simultaneously. Just as important, though, was intra-company security. We wanted a solution where each operating unit's access to product and client information was limited to its own operations." Automation gave Yamaha a means to automatically match the global material code used by Japan headquarters and Asian factories to the U.S. item code; pull out all the information needed for filing ISFs; and submit that data electronically to U.S. Customs and Border Patrol.

Yamaha reaped additional benefits, too, in the form of greater reporting capabilities and access to real-time data. From her U.S. office, Kim can access the system and know the exact products each Asian factory is producing and shipping daily.

Complying with 10+2 posed a different business issue for Michael R. Spano & Co., a national customs house broker and import consulting firm headquartered in New York. The firm caters to the fashion industry, according to owner Michael Spano, who explains, "In the fashion industry, customers look at their sources as information that must be kept absolutely private. Yet, 10+2 requires reporting of a firm's IRS number. There are obvious issues with having one's IRS number accessible over the Internet." Another problem is that individuals can purchase vessel manifests from Customs and, using the IRS number, learn information about shipper identities, products being shipped by whom to whom and when, etc. Built-in security features in Spano's solution fully addressed his concerns for client privacy and protection against data piracy when partners worldwide input data for ISF filings via the Internet. Plus, Spano invoked a provision of 19 C.F.R 103.31 to keep his customers' information confidential when it comes to Customs' practice of selling information from vessel manifests.

Beyond data protection, technology makes ISF preparation more cost effective. Spano explains, "Most of us in the trade knew that no one was going to get rich preparing ISF filings, but no one wanted to lose money either. Manually preparing them was not cost effective." Automation allows Spano's firm to cut processing time in half and eliminate transaction fees for both filing and amending ISFs. Plus, as Spano points out, a lot of ISF work is repetitive: same suppliers, same consolidation points, same delivery locations, etc. His system allows staff to duplicate earlier ISFs and update information as necessary, which translates to fewer elements to type, fewer input mistakes to make and quicker information availability to meet filing deadlines, saving time and money upfront and avoiding penalties on the backend.

There is little doubt that concerns over U.S. security will prompt even more trade-related requirements. Firms with vision will leverage automation as an economical way to trade compliantly at a time when change is the only constant.

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