Encouraging and Measuring Compliance

A different perspective to Customs Controls

Mark Stomski
The role of business

• “There is a growing realization that this degree of change can only be achieved with the active participation of legitimate business. This partnership… provides for greater efficiency and more effective controls which are based on knowledge of commercial operations.”

WCO Risk Management Guide
U.S. Customs Trade Goals

- Achieve a certain percentage of demonstrated trade compliance
- Collect at least 99% of the revenue
- Increase customer satisfaction
- Reduce release times
- Reduce costs
The role of business

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WCO Risk Management Guide
Achieving goals

- Workload Analysis
- Domestic Concerns
- Identified Primary Focus Industries (PFIs)
  - Focus on Largest Importers
  - Account Management
  - Strong Partnerships
Primary Focus Industries

- Industries vital to national interests
- Trade Compliance directly impacts national interests
- Identified into key product sectors
- Warrant extra level of attention
Focus on Large Importers

In 1999, the U.S. had nearly half a million importers.

Broken out by value:

- 50% (447 importers)
- 59% (1,000 importers)
- 72% (3,000 importers)
- 100% (445,256 importers)

★ = approximately 100 importers
Account Management

• The Customs process of viewing a company and its trade performance in the aggregate rather than by individual transactions.
• Designed to increase Customs efficiency, uniformity, and customer service.
• Provides companies with a single point of contact.
Strong Partnerships

- In addition to working with Importers, compliance issues should be addressed through building alliances
  - Other governmental agencies
  - Trade Representatives
  - Foreign Governments
Compliance Measurement

- Determination of acceptable compliance rate
- Compliance audits of PFI importers
- Random compliance examinations of PFI shipments
- Corrective action if actual compliance rate does not meet acceptable compliance rate
Voluntary or Enforced?

• Informed Compliance
  – Local problem – inform port of entry
  – Broker Errors – broker information sessions
  – Importer negligence – contact importer

• Enforced Compliance
  – Penalties & Seizures
  – Management Directives

• Customs takes the nature, scope, and impact of the non-compliance into consideration
Informed Compliance

- Compliance makes Customs job easier.
- Highly compliant traders can be rewarded.
- Non-compliant traders who want to comply should be helped to improve.
Compliant Traders

• Educate these importers on
  – internal security
  – employee background checks
  – quality control & record keeping

• Offer rewards
  – direct delivery
  – duty payment deferment
  – consolidated entries
Remember…

• It’s easier to figure out who the bad guys are when you’ve weeded out the good guys.
• The bigger the haystack, the harder it is to find the needle