

**U.S. CUSTOMS AND BORDER PROTECTION
CUSTOMS-TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)**

The firm has developed a special program at a fixed price to assist clients in the implementation of Customs - Trade Partnership Against Terrorism (C-TPAT) programs. C-TPAT was announced by Customs on November 27, 2001, and formally established on April 16, 2002. It has become clear in the years since that trade security concerns are permanent. In 2006 Congress passed legislation establishing C-TPAT as law. U.S. Customs and Border Protection (hereinafter "Customs") has hired more Inspectors to increase inspections and created dedicated Supply Chain Security Specialists. Importers, carriers, forwarders, Customs brokers, marine terminal operators, and certain foreign manufacturers are eligible to participate in the C-TPAT program. It is our view that participation in the C-TPAT program is an appropriate and reasonable response for all importers. Companies that participate in C-TPAT will have fewer imports inspected as a result of security concerns and, hence, fewer supply chain delays; all other importers will face potential time delays that will force increased levels of inventory to be held in the U.S., thus increasing business expense. C-TPAT status will be particularly important to business resumption in the event of a port closure.

We believe that an organized, proactive approach is necessary to address C-TPAT and supply chain security requirements. It is our view that a C-TPAT program can be implemented with only a moderate amount of activity and cost. For most companies, ninety-five percent (95%) of the C-TPAT security criteria probably already exists in one manner or another in company policies and procedures. Therefore, much of what is required is to identify the issues, document them, and promptly implement a procedure for individual sites and service providers, both overseas and in the U.S., that can be readily verified. Our very significant experience over the last forty (41) years at a wide range of U.S. and overseas manufacturing sites, distribution centers, seaports, and airports provide us with very good insight into what is possible and achievable without extraordinary efforts.

It is important to understand that Customs is carefully analyzing C-TPAT submissions and validations, and conducting regular revalidations of existing C-TPAT participants. At the end of 2009 there were 9,617 Certified C-TPAT participants, an increase of 1,237 from 2008. 7,710 initial validations and 1,811 revalidations were completed through 2008. In 2009, 3,420 validations were completed with two-thirds (2,244) of these being normal revalidations. 297 Certified C-TPAT participants have been suspended or removed from the program.

We have formulated an Action Plan and drafted a range of documents that make up an essential core process for implementing a C-TPAT program for any company. The draft documents that we have prepared are derived from public Customs documents and other documents that relate to trade security issues. We believe these steps will significantly tighten the security arrangements for the import and export of merchandise and should comply with C-TPAT program requirements. The documents that we have developed – and just recently reviewed and comprehensively enhanced – consist of the following:

1. **Action Plan.** A detailed instruction document and timeline for implementing the C-TPAT Program.
2. **Corporate Policy Statement.** For a company to implement an effective C-TPAT Program there must be a clear policy statement issued by the company in support of the program. We provide policy statement language for company use.
3. **Application Instructions – U.S. Customs and Border Protection (Customs).** Customs requires that companies apply for C-TPAT online via the Customs web site. We provide the Customs application instructions and explain the scope of the requested information.
4. **Supply Chain Mapping.** To identify supply chain risks, it is important to identify all the entities that move material from an overseas source to a U.S. facility, and also to identify all the entities that are involved in moving material from the U.S. factory or warehouse until it leaves the United States territory for export. We have included a format document for use in mapping individual supply chains and included a very detailed list of the elements in the import/export supply chain that must be a part of the mapping and risk assessment process.
5. **Memorandum of Understanding (MOU) – Corporate Internal Organization.** It is our view that the Import/Export Department of any company cannot be the sole entity to implement, manage, or verify the C-TPAT program. Rather, a wide range of entities within a company must be directly involved. These internal entities include import/export, security, logistics/transportation, purchasing, receiving, overseas factories and warehouses, U.S. factories and warehouses, personnel/human resources, information technology, and legal. All of these entities should have specific roles and responsibilities which are understood and agreed to. A Memorandum of Understanding that is signed by these entities sets out the fundamental methodology and commitment to support the process.
6. **Memorandum of Understanding (MOU) – Business Partners/Company U.S./Foreign Sites.** A wide range of entities in the supply chain must be very specifically involved in the C-TPAT process to be successful. Beyond just asking questions or requiring certain activities,

it is our view that a Memorandum of Understanding should be signed by each of the companies in the supply chain to memorialize the specific responsibilities of both parties. Without a specific signed document, there is not a direct link that provides the necessary control and understanding, oversight, and verification mechanisms to satisfy C-TPAT requirements.

7. **Confidential Questionnaires.** All of the identified foreign sites, carriers, brokers, and U.S. receiving sites will be required to respond to a detailed Questionnaire within thirty (30) days of receipt and/or certify their own participation in C-TPAT. The specialized Questionnaires exceed the information in the documents that have been prepared by Customs and are based upon our practical knowledge and understanding of the import/export business. The Questionnaires and responses can be automated to allow rapid and demonstrable assessment of supply chain security risks.
8. **Overseas and U.S. C-TPAT Site Procedures.** In order to formalize the documentation to support and verify C-TPAT requirements, it is our view that a Site Procedures document on the subject must be structured. We provide two format procedures documents that are only four to six (4-6) pages long. These procedures are separated into corporate and site-level procedures, which reflects the multiple levels of procedures employed by many companies. They are not intended to “restate” or “reinvent the wheel” with respect to procedures. Existing company procedures are to be referenced and incorporated therein.
9. **C-TPAT Improvement Plan Template.** As a result of the detailed written responses provided by questionnaires and the development of C-TPAT site procedures, it is likely that deficiencies in the supply chain security structure will be identified. We provide a format C-TPAT improvement plan that identifies the necessary steps to be taken by all relevant parties in the supply chain and to be provided to Customs.
10. **Carrier/Conveyance Checklists.** Customs expects that road carriers inspect trucks and that containers and other instruments of international traffic, such as pallets and tanks, undergo inspection. Checklists are included for incorporation into company processes. They may be customized to company- and supply chain-specific circumstances.
11. **Supply Chain Import/Export Organization.** We provide a very detailed list of the elements in the import/export supply chain logistics organization that must be a part of this process. It is important to not only identify those entities for the movement of material from an overseas source to a U.S. facility, but also to identify the entities that are involved in moving material from the U.S. factory or warehouse until it leaves the United States territory for export.

12. **Special C-TPAT Employee and Security Guard Training Issues.** It is our view that specific C-TPAT training and procedures must be in place for both company employees and security guards of all parties involved in the C-TPAT process. We provide a list of topics and explanatory information.
13. **C-TPAT Verification Checklist.** While a company can document in writing the exact import and export process with necessary minimum standards and vendors and company affiliates can increase the level of security, it is nevertheless important that there be verification after agreement and implementation. We provide a sample verification checklist.
14. **Risk Assessments/Updates/Enhancements.** Customs requires that C-TPAT participants perform risk assessments on an on-going basis. There will also be updates and enhancements to the C-TPAT program and procedures as a result of Customs actions, third-party actions, and company changes. A methodology for identifying and documenting necessary updates and enhancements to the program should be established. We provide a necessary basic document for that purpose.

We recognize that the necessary actions required and documents identified may appear to require a significant amount of effort. It is not our intention to require an extraordinary amount of company resources, but to provide fundamental documentation that can be utilized by a company to leverage its existing activities to implement a C-TPAT program. The documents provided can and should be changed as your company determines. Most importantly, we believe that the documents discussed above meet and exceed all the standards currently set out by Customs.

We can provide a company with a complete set of C-TPAT program documents, both electronically and in hard copy, at a one-time cost of \$5,000. Beyond the initial basic documentation cost, charges will be based upon our normal hourly rates for individuals in our firm to assist the company in the revision of documents and the implementation and management of the process, plus any expenses incurred. Companies may use as much or as little of our expertise and assistance as they believe is necessary, thereby controlling costs. Many of our clients have taken this documentation and implemented their C-TPAT program without additional firm expense. Of course, companies are always welcome to only engage our services on individual C-TPAT security issues, but we believe that utilizing our comprehensive C-TPAT action plan is the most efficient and cost effective approach for organizing and implementing a complete program.