

**TESTIMONY OF
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**BEFORE THE
U.S. SENATE
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENT AFFAIRS
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
WASHINGTON, DC
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INTRODUCTION

Thank you, Chairman Portman, Ranking Member Carper, and distinguished members of the Committee. I appreciate the opportunity to appear before you today to discuss how providing the necessary data to law enforcement and other government agencies can help target contraband and weed out bad actors seeking to import dangerous goods and counterfeit items into the United States through international shipments.

Mr. Chairman, my presence here today, the Thursday before Memorial Day weekend, is quite literally déjà vu. I provided similar testimony on this very same day 17 years ago, in the year 2000, to the House Subcommittee on Criminal Justice, Drug Policy, and Human Resources. The hearing then was titled “Drugs in the Mail: How Can It Be Stopped?” For that hearing, I was asked to do the same thing that this Committee asked me to do today – walk through the processes that UPS follows to supply advanced data to U.S. Customs and Border Protection that will enable them to screen for high-risk packages being imported into the United States.¹

Unfortunately, since 2000, the problem of importing illicit goods into the United States has only grown worse. Enabled by the Internet, bad actors are getting smarter and smarter, using every avenue available to send illicit goods into the United States. Back in 2000, the issue of illicit drugs in the mail was centered on amphetamines and ecstasy. Today, the threat is Fentanyl and high-tech opioids, of which a few grains can kill you. And the volume of parcels coming into the United States has increased substantially, particularly from foreign Posts, which now send almost 90% of packages into this country. Fortunately, law enforcement techniques have improved, creating more robust processes that better enable detection and screening of illicit imports.

UPS

With over 434,000 employees delivering more than 19 million packages and documents every day in over 220 countries and territories around the world, we work hard to be United Problem Solvers. At UPS, our business processes are complex and our technology advanced, but our objective is simple: to ensure world-class service for our customers. While providing this first-rate service internationally, we work closely with U.S. Customs and Border Protection (CBP), at our own expense, to comply with and even exceed existing legal requirements. The key to making this work is the advanced electronic data we provide which enables CBP and 47 other government agencies to target high-risk inbound shipments and screen them out of the network. In addition to weeding out shipments from potential terrorists, containing illicit drugs or other potentially dangerous products, this advanced electronic data can also be used to screen for counterfeit products and contraband. Not only does UPS supply the advanced electronic data, but we also apply technologically advanced network capabilities that enable us to locate any suspect package in our system at any given time so it can be retrieved and tendered to legal authorities for additional screening.

¹ For my 2000 testimony, see https://www.youtube.com/watch?v=k_sWEwJQUKc and scroll to 1h46m.

BUSINESS PRACTICES

Restricting the access of illicit, dangerous and counterfeit goods within the UPS network is a top priority for our company, especially given the need to ensure efficient, cost-effective and secure global supply chains. Every day, express delivery service (EDS) providers carry millions of shipments and, despite ongoing efforts, illegal goods make it into the system.

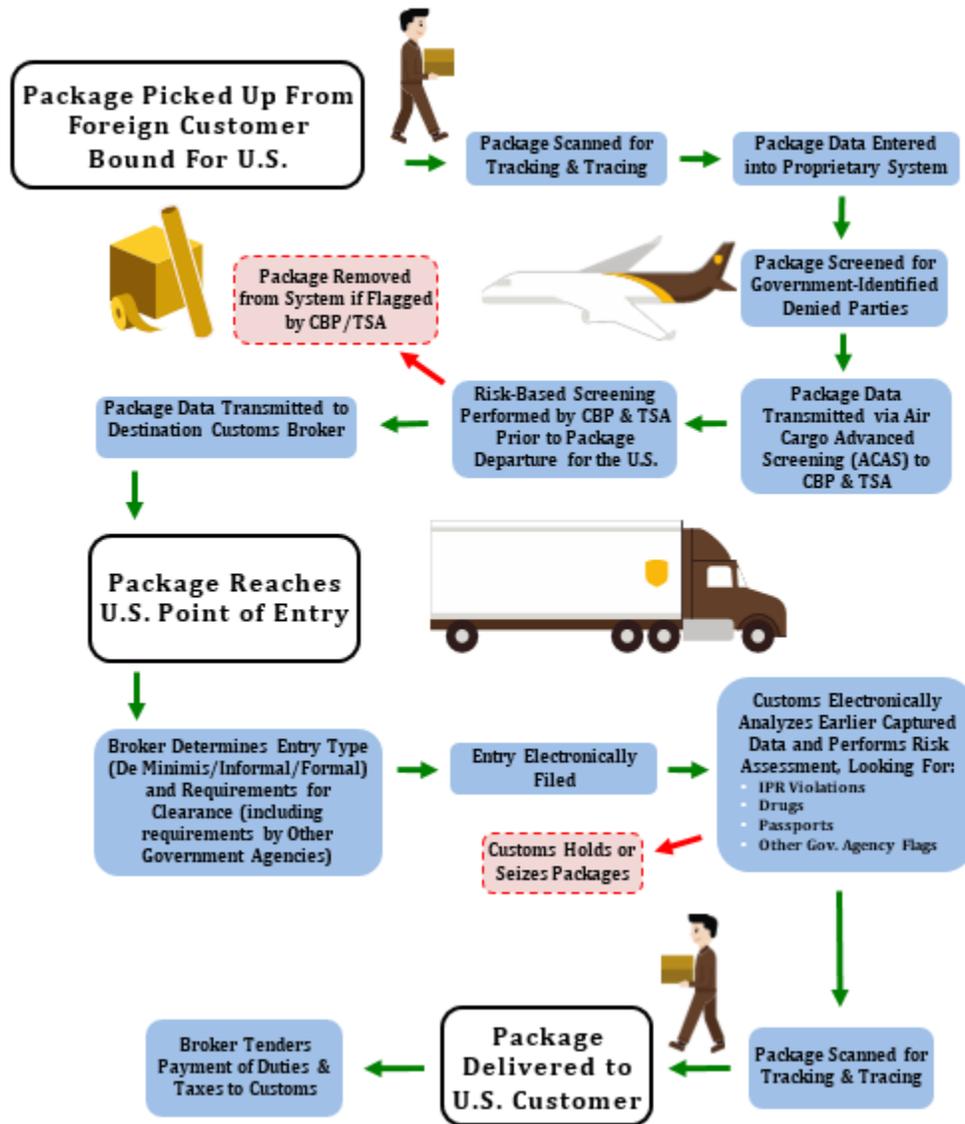
UPS and other private EDS companies engage regularly with customers and governments to ensure, as best we can, that our network around the world only carries legitimate and legal products. However, there are practical limits to what we and other EDS providers can do day-to-day: first, we are not the originators of information about shipments, and limitations exist on the quantity and quality of information that we can obtain from customers; second, we and other EDS providers have little expertise in identifying counterfeit or pirated goods; and, third, we are not law enforcement agencies, which means we are subject to rules on national data protection and commercial information confidentiality. These limitations underscore the importance of information-sharing and collaboration between all involved parties to prevent illicit and counterfeit goods from entering our system.

Effective enforcement requires a risk-based, prevention approach, based on transparency within and among networks and active cooperation among stakeholders. For packages destined in the United States, UPS, at its own expense, cooperates in the following ways:

- Transmit advanced electronic shipment information prior to arrival, which enables CBP and 47 other government agencies to perform risk assessment and target shipments for further examination.
- Perform Denied Party Screening on all shipments to ensure all parties to the transaction are not subject to sanctions, embargoes or State Department watch lists.
- Employ Track and Trace technologies which allows a package to be removed from its normal processing flow and given to authorities for further examination if they identify the package as suspicious.
- Allocate adequate facilities and equipment on our premises to CBP which provides an optimum location to filter through and identify suspect shipments.
- Provide CBP with available, relevant, and legally disclosed information on shippers and consignees responsible for particular shipments identified as containing prohibited goods.
- Close accounts of customers publicly identified by CBP as repeat offenders.
- Develop creative methods such as the voluntary abandonment seizure program to support the local CBP officer

The graphic below walks you through a specific package entering the country and what UPS does every step of the way.

EDS Secure Supply Chain Process Overview



THE IMPORTANCE OF ADVANCED ELECTRONIC DATA

The most important component of package screening is the use of advanced electronic data for risk assessment. In May of 2000, when I testified before the House Government Oversight Committee on how UPS provides advanced data to help federal agencies combat illegal drug trafficking, there were about 21 million package shipments entering the United States annually – about 10 million through the private sector which were accompanied by advanced electronic data, and 11 million through the international mail system which did not have any electronic data. Even 17 years ago, it was clear that Customs and other federal agencies could not manually screen packages that were not accompanied by advanced data – purely because of volume – and that the most effective way of interdicting bad shipments was through the use of advanced electronic data.

In 2010, following a thwarted terrorism attempt, CBP requested that another data set be submitted for extremely high-risk packages, called Air Cargo Advance Screening (ACAS), which is submitted before a plane departs a foreign country so a suspect package can be intercepted and removed from the network. UPS and other private sector carriers voluntarily submit this data in recognition of its importance to transport and public safety, and we anticipate that CBP will formalize the requirement in the next few months.

By 2016, the volume of packages entering the United States has increased many times over: the U.S. Department of Homeland Security reported that, in 2014, CBP processed approximately 340 million parcels arriving via foreign postal operators, most without electronic data. In 2016, foreign posts likely sent over 400 million packages into the United States, and the volume is rapidly growing. It is also estimated that around 50 million packages enter the U.S. through private carriers, like UPS, all with electronic data.

UPS and other private express carriers use advanced electronic data to manifest shipments on a package-level basis, transmit these manifests to customs and provide critical screening data to law enforcement to counteract illicit trade. The requirement that information be electronically presented in advance allows CBP to effectively target any cargo that may need to be held for further examination prior to the arrival of the vessel, aircraft or other conveyance, which thereby enables legitimate cargo to move smoothly through the chain of commerce.

We have been using electronic data for years, even before it was required by the Trade Act of 2002, to provide CBP with item-level detail about each and every shipment entering the country. This data consists of seven data points:

- The sender's name and address;
- The recipient's name and address;
- The value of the contents;
- A description of the contents; and,
- The piece count for the shipment.

This not only helps us reduce the potential for dangerous goods entering the U.S. through our system, but also aids in meeting manifesting compliance requirements, ensuring payment of duties and fees and expediting clearance through customs.

Advanced data is the cornerstone of effective risk assessment and the key for all pre-clearance of shipments. Advanced data is also made possible primarily via the electronic (read: nearly instant and paperless) transmission of shipping manifests and security information like the shipper's name and security record, the good's country of origin, and so on.

It is important to note that UPS and other express carriers obtain and submit data from all foreign countries, both developed and developing, where we do business. We even require the data through subcontractors in countries where we work, if we do not have a physical presence there, as a high-risk package can be sent from anywhere at any time. Fortunately, with today's advancements in mobile technology, operators in even the most remote countries have the ability to gather and transmit data necessary to better protect our borders.

CONCLUSION

Effective information-sharing is the cornerstone for a collaborative approach. The processes I have laid out in my testimony are imperative to ensuring safety and security and preventing illicit and counterfeit goods from entering into the United States. Advanced electronic data, combined with the ability to locate and retrieve high risk packages, helps to reduce instances of repeated violations and to stop the movement of dangerous and illegal goods. Enforcement needs to be universally applied across the globe to prevent bad actors from circumventing the rules by shipping their illicit goods through non-compliant supply chains, such as foreign Postal operators'. A package is a package is a package, regardless of who imports it, and, for the system to be effective in protecting our borders, advanced data and brokerage processes that enable the location and retrieval of high-risk packages need to be applied to all parties that import goods into the United States.

Thank you for your attention to this important initiative.