

**Statement of Robert C. Bonner
Commissioner
U.S. Customs and Border Protection**

**Hearing before the Permanent Subcommittee on Investigations, Senate
Committee on Homeland Security and Governmental Affairs.**

May 26, 2005

I. Introduction and Overview

Chairman Coleman, Ranking Member Levin, Members of the Subcommittee, it is a privilege to appear before you today to discuss two U.S. Customs and Border Protection (CBP) programs that are fundamental to our anti-terrorism strategy.

CBP, as the guardian of the Nation's borders, safeguards the homeland—foremost, by protecting the American public against terrorists and the instruments of terror; while at the same time, enforcing the laws of the United States and fostering the Nation's economic security through lawful travel and trade. Contributing to all this is CBP's time-honored duty of apprehending individuals attempting to enter the United States illegally, stemming the flow of illegal drugs and other contraband, protecting our agricultural and economic interests from harmful pests and diseases, protecting American businesses from theft of their intellectual property, regulating and facilitating international trade, collecting import duties, and enforcing U.S. trade laws. In FY 2004, CBP processed almost 30 million trade entries, collected \$27 billion in revenue, seized 2.2 million pounds of narcotics, processed 428 million pedestrians and passengers, 121 million privately owned vehicles, and processed and cleared 23.5 million sea, rail and truck containers. We cannot protect against the entry of terrorists and the instruments of terror without performing all missions.

We must perform all missions without stifling the flow of legitimate trade and travel that is so important to our nation's economy. We have "twin goals:" Building more secure and more efficient borders.

II. Meeting Our Twin Goals: Building More Secure and More Efficient Borders

As the single, unified border agency of the United States, CBP's missions are extraordinarily important to the protection of America and the American people. In the aftermath of the terrorist attacks of September 11th, CBP has developed initiatives to meet our twin goals of improving security and facilitating the flow of legitimate trade and travel. Our homeland strategy to secure and facilitate cargo moving to the United States is a layered defense approach built upon interrelated initiatives. They are: the 24-Hour and Trade Act rules, the Automated Targeting System (ATS), housed in CBP's National Targeting Center, the Container Security Initiative (CSI), and the Customs-

Trade Partnership Against Terrorism (C-TPAT). My remarks will focus primarily on CSI and C-TPAT.

Advance Electronic Information

As a result of the 24-Hour rule and the Trade Act, CBP requires advance electronic information on all cargo shipments coming to the United States by land, air, and sea, so that we know who and what is coming before it arrives in the United States.

Automated Targeting System

The Automated Targeting System, which is used by National Targeting Center and field targeting units in the United States and overseas, is essential to our ability to target high-risk cargo and passengers entering the United States. ATS is the system through which we process advance manifest and passenger information to detect anomalies and “red flags,” and determine which passengers and cargo are “high risk,” and should be scrutinized at the port of entry, or in some cases, overseas.

ATS is a flexible, constantly evolving system that integrates enforcement and commercial databases. ATS analyzes electronic data related to individual shipments prior to arrival and ranks them in order of risk based on the application of algorithms and rules. The scores are divided into thresholds associated with further action by CBP, such as document review and inspection.

Extending our Zone of Security Outward– Partnering with Other Countries

Container Security Initiative (CSI)

Every day, approximately 25,000 seagoing containers arrive at our nation’s seaports equating to nearly 9.2 million a year. About 90% of the world’s manufactured goods move by container, much of it stacked many stories high on huge transport ships. Each year, two hundred million cargo containers are transported between the world’s seaports, constituting the most critical component of global trade.

All trading nations depend on containerized shipping. Of all incoming trade to the United States, nearly half arrives by ship, and most of that is in sea containers. Other countries are even more dependent on sea container traffic, such as the U.K., Japan and Singapore.

The fact is that, today, the greatest threat we face to global maritime security is the potential for terrorists to use the international maritime system to smuggle terrorist weapons – or even terrorist operatives – into a targeted country.

If even a single container were to be exploited by terrorists, the disruption to trade and national economies would be enormous. In May 2002, the Brookings

Institution estimated that costs associated with United States port closures from a detonated terrorist weapon could amount to \$1 trillion from the resulting economic slump and changes in our ability to trade.

Clearly, the risk to international maritime cargo demands a robust security strategy that can identify, prevent and deter threats, at the earliest point in the international supply chain, before arrival at the seaports of the targeted country. We must have a cohesive national cargo security strategy that better protects us against the threat posed by global terrorism without choking off the flow of legitimate trade, so important to our economic security, to our economy, and, to the global economy.

Our nation developed a cargo security strategy that addresses cargo moving from areas outside of the United States to our ports of entry. Our strategy focuses on stopping any shipment by terrorists before it reaches the United States, and only as a last resort, when it arrives at a port of entry.

The Container Security Initiative enables the U.S. Customs and Border Protection to work with our host counterparts to screen and inspect high-risk containers before they are loaded on board vessels to the United States.

CBP implemented CSI in January 2002 because we recognized that inspecting containers with terrorist weapons concealed inside them, on arrival in the United States, would be too late. Today, CSI is one of the few multinational programs in the world actually protecting the primary means of global trade – containerized shipping – from being exploited or disrupted by international terrorists. CSI adds security to the movement of maritime cargo containers, and it allows containers to move faster, more efficiently and predictably through the supply chain.

The four core elements of CSI are:

- Identifying high-risk containers. CBP uses automated targeting tools to identify containers that pose a potential risk for terrorism, based on advance information and strategic intelligence.
- Prescreening containers before they are shipped. Containers are screened as early in the supply chain as possible, generally at the port of departure.
- Using technology to prescreen high-risk containers including large-scale X-ray and gamma ray machines and radiation detection devices.
- Using smarter, more secure containers. This allows CBP officers at United States ports of arrival to identify containers that have been tampered with during transit.

Through the CSI program, CBP deploys multi-disciplined teams, including agents, intelligence analysts and customs officers to selected foreign seaports throughout the world, to protect the United States and its citizens from both direct and indirect terrorist attacks in the maritime cargo environment. Operating procedures for CSI ports are governed by Declaration of Principles and agreed upon operating

procedures, in which the host government commits to pre-screen containers that pose a risk for terrorism.

Today, CSI is operational in 36 ports in Europe, Asia, Africa and North America. CBP is working towards strategically locating CSI in additional areas of the world where terrorists have a presence.

CBP will continue expanding the CSI security network by using advanced technologies while optimizing resources such as the National Targeting Center as a communications hub coordinating domestic and international communication. Through a framework for security and facilitation of global trade, endorsed by the World Customs Organization, CBP intends to strengthen trade data and targeting by promoting harmonized standards for data elements, examinations and risk assessments.

To inspect all high-risk containers before they are loaded on board vessels to the United States, CBP plans to continue fostering partnerships with other countries and our trading partners. In addition, the World Customs Organization, the European Union and the G8 support CSI expansion and have adopted resolutions implementing CSI security measures introduced at ports throughout the world

In providing security for the maritime transportation system, we intend to ensure that the greater security does not slow down or choke off the flow of trade. The CSI program secures and facilitates the movement of legitimate trade by effectively using the time prior to the lading of the container for inspections.

Extending our Zone of Security – Partnering with the Trade

Customs-Trade Partnership Against Terrorism (C-TPAT)

The Customs-Trade Partnership Against Terrorism (C-TPAT) is a voluntary partnership between CBP and industry to secure the international supply chain. C-TPAT importers secure supply chains from the foreign factory loading docks of their vendors to the port of arrival in the U.S. CBP, in return, offers C-TPAT shipments expedited processing and provides C-TPAT participants with other benefits.

To join C-TPAT, a company must conduct a comprehensive self-assessment of its current supply chain security procedures using C-TPAT security criteria and best practices developed in partnership with the trade. A participant must also commit to increasing its supply chain security to meet minimal supply chain security criteria. Perhaps most importantly, participants also make a commitment to work with their business partners and customers throughout their supply chains to ensure that those businesses also increase their supply chain security. By leveraging the influence of importers, C-TPAT is able to increase security of U.S. bound goods to the point of origin (i.e., to the point of container stuffing). This reach -- to the foreign loading dock -- is

beyond the regulatory reach of the U.S. Government, but critical to the goal of increasing supply chain security.

C-TPAT is currently open to all importers, cross-border air, sea, truck, and rail carriers, brokers, freight forwarders, consolidators, non-vessel operating common carriers, and U.S. Marine and Terminal operators. We are currently enrolling certain foreign manufacturers in the C-TPAT program and will continue to develop ways to include this important element of the supply chain in the program. The intent is to increase point of origin to point of arrival security into the supply chain.

Although C-TPAT is a partnership, the risk is too great to simply take participants at their word when it comes to their supply chain security. We have created a cadre of specially trained supply chain security specialists to validate the commitments made by C-TPAT participants – to ensure that they are increasing supply chain security as they have promised CBP, and that their measures are reliable and effective. These specialists meet with personnel from C-TPAT certified companies and their business partners and observe the security of their supply chains, including security at overseas loading docks and manufacturing plants, as well as transportation links outbound to the U.S. Through this validation process, we work with certified members to identify ways that they can further increase their supply chain security. Companies that are not honoring their commitments may be suspended or removed from the program, and lose their C-TPAT benefits.

As of May 17, 2005, C-TPAT has assessed and accepted the security profiles of 5,013 companies; there are more than 4,200 company profiles in various stages of the application and review process. We have completed 591 validations, with an additional 2,079 validations underway or in the process of being completed.

C-TPAT Validations

Initially, CBP stated that all C-TPAT members would be ‘validated’ within three years of acceptance into the program. Through a validation, information provided by the C-TPAT member is verified, and recommendations are made concerning areas that require strengthening. Members who demonstrate a commitment to strengthening their supply chains receive tangible benefits from CBP. After completing several hundred validations, CBP has since modified the C-TPAT validation strategy.

After three years, it became evident that not all C-TPAT enrollment sectors exhibit the same risk to the international supply chain, nor do they possess the same ability to strengthen their supply chains throughout all components of their international supply chains. For example, U.S. based customs brokers have minimal ability to ensure sufficient supply chain security at the foreign place of stuffing, compared to U.S. based importers who have strong business influence over a foreign manufacturer or supplier. Accordingly, the enrollment sectors with the greatest ability to leverage their corporate strength and demand more security enhancements from foreign entities are the importers, and to a lesser extent, the carriers. Importers also receive the greatest

benefits in terms of reduced inspections. Therefore, C-TPAT validations are most effective when focused on these two enrollment sectors.

It has been demonstrated that not all supply chain components contain the same risk, especially for infiltration or exploitation by terrorist elements. A foreign manufacturer in one area of the world may be considered higher risk than a similar facility in another part of the world. Validations must focus on the highest risk component of the international supply chain.

Customs and Border Protection initiates validations based on risk, using a quantitative risk assessment tool to identify certified members with high-risk supply chains. CBP's new validation objective identifies and validates high-risk supply chain components, while engaging C-TPAT members with the greatest leverage over their foreign components of the international supply chain. This refined validation objective allows CBP to direct resources accordingly, where they can have the most impact in meeting the overall objectives of the C-TPAT program.

Customs and Border Protection uses a validation selection methodology that relies upon quantifiable data coupled with an objective assessment of the submitted security profile to determine the top priorities for validations. In particular, CBP is now placing emphasis on the importer and carrier sectors, and has modified its validation approach to maximize resources and increase efficiencies, such as validating multiple foreign suppliers within a geographic proximity. CBP has also enhanced its ability to record and measure validation results by developing the Automated Validation Assessment Tool, which is an electronic questionnaire that automatically scores and weighs the findings of the Supply Chain Specialist to produce an overall assessment of the supply chain security measures in place. Validation site visits are also documented in validation reports that contain sections on Findings, Recommendations and Best Practices. Identified weaknesses must be corrected in order for the member to retain benefits.

Foreign Site Visits

The member's C-TPAT point of contact and the CBP Supply Chain Specialists work together to arrange the logistics involved for the foreign site visit. Typically, the point of contact or an individual who was in attendance at the domestic corporate meeting also attends the foreign site validation visit.

Foreign site visits usually include a corporate meeting with foreign manufacturer corporate personnel, and a tour of the appropriate manufacturing, shipping, consolidation and port facilities.

Minimum Security Criteria for Importers

As the Customs-Trade Partnership Against Terrorism has evolved, we have steadily added to the rigor of the program. We must continue to work to close the gaps that a global terrorist might seek to exploit. From the beginning, voluntary participation and jointly developed security criteria, best practices, and implementation procedures were the guiding principles for C-TPAT. As the program has grown, so has our need for more clearly defined security criteria to establish the minimum, baseline security expectations for membership in this voluntary, incentives-based program.

In late October 2004, in discussions with the trade community, we began drafting more clearly defined, minimum-security criteria for importers wishing to participate in the C-TPAT program. After months of constructive dialogue, we developed minimum security criteria designed to accomplish two important goals: first, to offer flexibility to accommodate the diverse business models represented within the international supply chain; and second, to achieve CBP's twin goals of security and facilitation.

The minimum security criteria for importers became effective on March 25, 2005. Importers who have not yet joined the C-TPAT program must meet or exceed these security criteria before being certified and eligible for program benefits. For current C-TPAT members, implementation is being phased in to ensure that an importer's security measures are consistent with these security criteria.

First, importers were given 60 days from the date of the announcement to meet the container security, physical security, and physical access controls outlined in the new security criteria. These security elements will provide an immediate 'hardening' of the physical supply chain.

Second, within 120 days — or by July 26, 2005 — C-TPAT members will be expected to address internal or procedural security elements, including personnel security, procedural security, information technology security, and the establishment of a security training and threat awareness program. These security measures will help strengthen overall supply chain management practices.

Third, importers will have 180 days — or until September 26, 2005 — to leverage their corporate strength to push security enhancements back into their supply chain, from point of stuffing to point of arrival and the CBP clearance process. These business partner requirements outlined in the security criteria are paramount to an effective supply chain security program.

Customs and Border Protection plans to clearly define the minimum security criteria for each enrollment sector shortly.

Benefits for Certified Members

Customs-Trade Partnership Against Terrorism certified members that initiate actions that further secure their supply chain receive benefits from CBP. They include

reduced enforcement and compliance inspections and expedited clearance times, eligibility to participate in CBP programs such as the Free and Secure Trade program (FAST) and the Importer Self Assessment, as well as access to CBP training seminars open only to certified members.

C-TPAT members also benefit from the increased supply chain security by realizing more efficient supply chains, improved use of assets, reduced costs, revenue growth, and reduced pilferage.

Companies that do more to secure their supply chains, those that go above and beyond the minimal requirements, should be recognized. CBP has implemented a tiered system of C-TPAT benefits, based on the level of security, validation results, and use of C-TPAT best practices.

Tier I consists of certified companies who receive the benefits reduced ATS scoring, and the other benefits of a certified C-TPAT member. These are the companies that have submitted their security plans, committed to meet C-TPAT minimal security criteria, had those plans approved by CBP supply chain security specialists, and, based upon vetting, have had no history of significant compliance or law enforcement problems.

Tier II consists of validated C-TPAT companies. They would get a further ATS reduction in their scoring, and even fewer inspections. CBP has validated the supply chains of 12 percent of all certified partners, and another 40 percent are in the process. We are aggressively recruiting permanent Supply Chain Specialists and will increase dramatically the number of people we have conducting validations, and the number of validations completed.

Tier III is CBP's vision for the highest level of C-TPAT. Tier III would consist of those fully certified, validated C-TPAT partners who exceed the minimum standards, and have adopted C-TPAT best practices; for example, those that use C-TPAT container security devices such as the Smart Box. Certified, validated C-TPAT importers using C-TPAT best security practices---will be subject to relatively infrequent random inspections.

CBP's goal is a more secure supply chain that includes point of origin security, security at point of stuffing, ensured by C-TPAT validated partners who control their supply chain and assure point of origin security, who use a smart container, or see that their foreign vendors do, and who ship their goods through a CSI port to the United States.

Among the added benefits for validated C-TPAT partners will be moving the shipments of C-TPAT members to the front of the inspection line, when a shipment does need to go to secondary, either for a random inspection or due to other agency requirements. Demonstrated investments to meet and maintain best practices should be recognized and also rewarded.

Performance Measures

Measuring program effectiveness in terms of “deterrence” is complicated. And, although traditional workload measures are a valuable indicator of the challenges CBP faces, they do not necessarily reflect the success or failure of the agency’s efforts. The direct impact being made on unlawful activity is often unknown. Because of these and other unidentified variables, the traditional economics and approaches used to measure performance can be challenging.

The Customs-Trade Partnership Against Terrorism program recognizes the need for effective measures to determine the success of the program. While new measures are under development, C-TPAT currently uses three measures to determine the scope of the C-TPAT program. These measures help gauge the success of C-TPAT partnership efforts. They include the percent of sea container cargo transported by C-TPAT carriers, the percent of value imported by C-TPAT importers, and the percent of C-TPAT importer entry volume.

In addition, reduced cargo inspections are a benefit importers receive for joining C-TPAT. To determine if members receive reduced inspections, a ratio of targeted inspections of C-TPAT shipments versus non C-TPAT shipments is calculated. Since C-TPAT benefits include reduced compliance inspections, the ratio of C-TPAT entry inspection compared to non-C-TPAT entry inspections is also calculated.

Finally, validations demonstrate and confirm the effectiveness, efficiency and accuracy of a C-TPAT certified member’s supply chain security. Validation report results are used to determine the ratio of recommendations included in the report.

Recruitment of Permanent Supply Chain Specialists

In FY04, CBP created the Supply Chain Specialist position, to assist with key program elements. The SCS serves as the principal advisor and primary point of contact for certified members in the C-TPAT program. The Supply Chain Specialist is a Headquarters position strategically located in four field offices (NY, Miami, Los Angeles, and Washington, DC) to better facilitate C-TPAT validations, various anti-terrorism / anti-smuggling training and awareness programs and provide general overall program guidance.

CBP continues to recruit permanent Supply Chain Specialists from within the government and from the private sector, and has trained 38 field officers to help assist in the initiation of validations. As of May 17, 2005, there are 66 permanent Supply Chain Specialists on board, with an additional four waiting to report. CBP anticipates having 100 Supply Chain Specialists on board by the end of FY05, which will enable the C-TPAT program to substantially increase the number of validations performed.

Government Accountability Office Recommendations

Over the last several months, CBP has made substantial progress in areas of the Government Accountability Office recommendations.

In particular, the C-TPAT program has strengthened the validation process as described above, employing an effective validation selection methodology, modifying its validation approach to maximize resources and increase efficiencies, and enhancing its ability to record and measure validation results.

In addition, CBP has published the C-TPAT Strategic Plan, clearly articulating program goals and strategies, and completed the C-TPAT Human Capital Plan, which addresses recruitment, training and workload issues.

With regard to the need for performance measures, Customs and Border Protection has provided quantifiable workload measures. Gauging deterrence and prevention remain a very challenging task. We will continue our efforts in this area.

Finally, steps have been taken to automate key processes, and implement a records management system to document key decisions and operational events, including decisions made through the validation process, and tracking member status.

In three years, C-TPAT has successfully increased supply chain security through the voluntary enrollment and private sector enhancement of supply chain security.

As a result of thousands of C-TPAT participants voluntarily sharing with the government details of sensitive corporate security plans, and taking concrete steps to improve their security procedures, Customs and Border Protection has gained increased confidence in the efforts of this government-private sector partnership to increase supply chain security. Given the global nature of the supply chain and the inherent difficulty of regulating overseas activity, private sector participation has been critical to increasing supply chain security. Based upon this experience, CBP believes that C-TPAT companies pose a low risk for terrorism. Notwithstanding this determination, C-TPAT members are not exempt from CBP security protocols, such as advance reporting requirements, enforcement and security inspections, random inspections, and non-intrusive screening technology such as radiation portals. In addition, CBP has developed a risk-based approach to validate the security enhancements that C-TPAT members have committed to achieve.

Today, C-TPAT covers about 43% of containerized imported goods into the United States, by value, a clear indication of industry's commitment to partnership, and the core principles of the program. As a requirement for doing business, many C-TPAT members require their service providers and vendors to participate in and/or adhere to C-TPAT security guidelines.

The Customs-Trade Partnership Against Terrorism program is a vital part of CBP's larger strategy – an extended border strategy designed to protect the global supply chain, our country, our economy, and ultimately the global economy. As the C-TPAT program continues to evolve, we will continue our dialogue with the trade community and continue working in a proactive, positive way to improve supply chain security and the security of global trade.

III. Conclusion

Mr. Chairman, Members of the Subcommittee, I have addressed two of CBP's critical initiatives today that will help CBP protect America against terrorists and the instruments of terror, while at the same time enforcing the laws of the United States and fostering the Nation's economic security through lawful travel and trade. With the continued support of the President, DHS, and the Congress, CBP will succeed in meeting the challenges posed by the ongoing terrorist threat and the need to facilitate ever-increasing numbers of legitimate shipments and travelers.

Thank you again for this opportunity to testify. I will be happy to answer any of your questions.