

TESTIMONY OF MARY ANN COMSTOCK

UPS Freight Services, Inc.

Sweet Grass, Montana

Before the Senate Finance Committee

“Homeland Security and International Trade”

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Chairman Baucus, Ranking Member Grassley, and members of the Senate Finance Committee, I appreciate the opportunity to appear before you today to discuss land border issues related to Homeland Security and the facilitation of international trade. I am Mary Ann Comstock, the former President of W.Y. Moberly, Inc., which was acquired by United Parcel Service in 2001 and is now part of UPS Freight Services, Inc. UPS Freight Services is a newly formed segment of UPS that provides freight forwarding, transportation, logistics, and customs clearance services in more than 400 locations in 120 countries and territories. We are now the largest customs broker in the United States, clearing over fifteen percent of all U.S. imports.

W.Y. Moberly, Inc. (now known as UPS Freight Services) was headquartered in Sweet Grass, Montana. My family has been involved with Moberly brokerage (n/k/a UPS Freight Services) since the late 1950s. I began working at the brokerage while I was a college student, and became its President in 1990. The volume of goods moving through Sweet Grass is coming primarily from Alberta, Canada, and for the most part it travels via truck with some rail movement. The Port of Sweet Grass is the eighth largest

port of entry by volume along the northern US border. Much of the volume consists of livestock and agricultural products, fuel and fertilizers, textiles, foodstuffs, plastics, oilfield equipment and telecommunications equipment.

I am pleased to provide perspectives from the northern U.S. border at today's hearing on "Homeland Security and International Trade." As you know, Canada is our largest trading partner, with total trade between the two countries valued at over \$380 billion in 2001. Over 80 percent of all Canadian exports are destined for the U.S. As such, the U.S.-Canada border must be taken into account when considering the issues of border security and international trade.

I would like to make four points today. First, let me say that UPS Freight Services supports the creation of a Department of Homeland Security. With the proper execution, we are hopeful that the creation of this new Department will streamline current and future security efforts undertaken by various government agencies into a single organization. We recognize that the events of September 11 have forever changed the way that trade moves across borders, and we are willing to be part of the solution.

Second, we believe that the facilitation of trade must remain a top priority of the U.S. government – especially in this new era of national security. To accomplish this critical goal, we believe that the U.S. Customs Service should remain the lead agency that manages the flow of trade across borders. For over two hundred years, Customs has maintained a dual mission of trade facilitation and law enforcement. There is a strong

cooperative relationship between US Customs and the Trade Community, and this should continue. Allowing the efficient flow of legitimate trade across borders allows law enforcement to use its valuable resources to focus on potential problem areas.

Third, the dual mission of security and trade facilitation can only be accomplished with strong technology systems in place to manage the flow of information about the goods that are crossing the U.S. border. The development and deployment of the Automated Commercial Environment, or ACE, are absolutely necessary to modernize the information flow. ACE is currently being developed through a joint effort by Customs and the trade community, and this process must continue, or even accelerate, regardless of how Customs emerges from the reorganization. ACE and other information systems will provide the needed information to Customs, thereby making it more efficient for Customs to conduct risk assessment on shipments coming into the United States.

Lastly, I would like to touch on some other important issues that affect the movement of trade on the northern border:

- Numerous government agencies play a significant role in the movement of goods across our borders: the U.S. Department of Agriculture, U.S. Environmental Protection Agency, U.S. Department of Transportation, Fish and Wildlife, the Federal Communications Commission, and the Food and Drug Administration are only a few. Many of these agencies have ways of collecting electronic information on importations, expediting the clearance of goods in a timely fashion. Improvements to the current process are needed, as

is adequate staffing. U.S. Customs and the brokerage community on the northern U.S. border are staffed 24 hours a day, seven days a week at the major commercial ports of entry. It is imperative that agencies that wish to examine cargo crossing our borders be there when the cargo is there – 24 hours a day, seven days a week. The cargo should be inspected and a determination made regarding admissibility prior to it leaving the port of entry.

- There are many opportunities for U.S. Customs and Canada Customs to partner and harmonize their Customs clearance procedures. Existing initiatives should be expanded, and new initiatives developed.
- For the entry of goods valued over \$2000, Customs requires the IRS Employee Identification number, or Social Security number of the ultimate consignee. In practice, this is problematic in the case of our non-commercial customers, as private citizens are reluctant to reveal such personally identifiable information.
- There are many legislative proposals before Congress that would mandate new requirements for advanced manifesting for cargo. UPS Freight Services opposes any requirement that the Harmonized Tariff Schedule number to six digits be provided prior to entry. This requirement would only impede the flow of goods – without improving our nation’s security. It is my belief that application of the Harmonized Tariff Schedule is “Customs Business” and should be left to licensed individuals to make that determination.

The success of our economy is dependent of the free flow of trade and UPS supports new free trade initiatives such as the US-Singapore Free Trade Agreement. As co-chair of the US-Singapore FTA Business Coalition we believe that passage of this agreement would greatly benefit trade between these two countries. UPS supports current negotiations for a strong treaty and encourages swift passage.

Additionally, UPS fully supports the passage of Trade Promotion Authority (TPA) to ensure our future position as a global leader in trade. TPA will help the United States move forward on the international trade front and reassert its leadership by opening foreign markets to American goods and services. Selling into new markets creates additional volume for UPS and as importantly, new job opportunities for UPSers throughout the world.

As a licensed Customs Broker and member of the Customs brokerage community for over 25 years, I have witnessed many changes and improvements in the flow of trade across our nation's borders. As we embark on the creation of the Department of Homeland Security, I believe that we have a tremendous opportunity to streamline the flow of legitimate trade while at the same time protecting our borders. I appreciate the opportunity to testify and I would be happy to answer any questions. Thank you.