

**STATEMENT BY  
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**HEARING ON THE PROPOSED HOMELAND SECURITY AGENCY  
REORGANIZATION**

**SENATE FINANCE COMMITTEE**

**JULY 16, 2002**

Chairman Baucus, Senator Grassley, members of the Committee, thank you for this opportunity to testify on the proposed homeland security reorganization.

Mr. Chairman, my remarks will reflect a perspective of having spent 28 years with the U.S. Customs Service and ultimately serving as the Deputy Commissioner and Acting Commissioner of the agency prior to my retirement.

It is my belief that the proposed consolidation of the border and transportation security agencies, including Customs, into a new Department of Homeland Security would be a positive step for the protection of this country and the American people.

It is also my belief that the reorganization, if structured and implemented properly, should not adversely impact the efficient flow of international trade, the international business community, or the U.S. economy which is so dependant on global trade.

The U.S. Customs Service is responsible for implementing much of the trade policy and statutes emanating from the Senate Finance Committee. This should continue under the proposed Homeland Security reorganization provided that the Customs Service is transferred intact to the new Department. It seems reasonable that your Committee and the Congress should expect to exercise the same oversight over Customs-related trade issues that you do today.

Certainly, U.S. Customs has a diverse and broad mission and is responsible for more than anti-terrorism and drug enforcement at our borders. Customs collects over \$20 billion in revenue, is the source of the nation's trade statistics, and enforces numerous trade laws. Customs officers act on behalf of over 40 other government agencies at the nation's borders, enforcing some 400 laws that include public health and safety, social, economic, environmental, and other responsibilities. These activities are important for the protection of the American public and our economy, and it is essential that these functions continue in the future.

There are a few critical principles that the Committee should consider as this new Department is being formulated:

**1. The single most important factor is to ensure the Customs Service is kept intact.**

A few proposals have been made advocating that the trade responsibilities or commercial operations of Customs could be separated and placed elsewhere in government. It would be a huge mistake to divide Customs into disparate agencies or to splinter the current mission, and this viewpoint is widely held within the international business community and the law enforcement community. The trade and enforcement functions of Customs are inextricably linked. Most of Customs field officers fulfill both trade and enforcement responsibilities concurrently and to divide these functions would diminish the focus on the entire border mission.

There are a number of reasons why it is inadvisable to split commercial and enforcement components of Customs:

- trade and enforcement activities are performed by the same Customs personnel at the borders – creating multiple border agencies would cost more, be less productive, and undermine the advantages of consolidation;
- the linkage between trade information and enforcement intelligence could easily be lost – Customs trade experts know usual international business relationships and typical trade patterns and this knowledge is invaluable to the border security enforcement and investigative components of Customs; and
- the creation of a new trade border agency could create new systems, additional procedural hurdles, and redundant reporting requirements for importers, exporters and carriers.

There are a number of reasons why it is essential that the entire Customs Service be transferred intact to the new Department:

- Customs has successfully managed the sensitive balance of border enforcement and trade facilitation, in part, because of the dual responsibilities – Customs receives advance, electronic data from international business to expedite shipments, but Customs also uses this same information to identify high-risk shipments;
- Customs has leveraged upon the constructive relationships established with the international business community to improve border security – Customs has enlisted international carriers and businesses to tighten the security of their global supply chain and these partnerships accomplish more than government can do alone; and
- Customs consolidates all border enforcement and trade information into a

single database that supports enforcement against public health threats, public safety threats, and threats to our economy – this is the same database that supports enforcement against weapons of mass destruction, terrorism and a vast array of transnational criminal threats.

**2. The second most critical factor is that the information technology systems operated by Customs are not affected and that planned system enhancements continue uninterrupted.**

Customs Automated Commercial System (ACS) operates 365 days a year, 24 hours a day. It processes 98.9% of all imported merchandise and is the lynchpin of an efficient and effective border for trade. The international business community and the economy are highly dependant on ACS; actual experience has proven that a system slowdown can result in factory closings within hours. The protection of our borders is equally dependant on the system as nearly 100% of all imports are subject to enforcement screening and targeting by this system.

These systems support not only Customs but nearly all federal border agencies and these systems need to be sustained and enhanced to ensure that all border responsibilities are fulfilled in the future.

Customs also operates the Treasury Enforcement Communications System (TECS) which is essential to passenger operations at the nation's airports and land borders. It is connected to virtually all international airlines and it permits efficient processing while it simultaneously conducts enforcement checks on all passengers entering the country.

Customs is in the process of modernizing the trade systems, and it is essential that this effort continue regardless of whether Customs is merged into the new Department. In fact, the new Department should seriously consider adopting the Customs information systems as the core platform for all of Homeland Security agencies.

**3. Customs has established a partnership and close relationship with the international trade community, and it is essential that this be sustained under any reorganization.**

Customs has demonstrated a willingness to work with the importers, exporters, transportation companies, etc. in promulgating new programs, new regulations, and new information systems. Customs does not relinquish its authorities nor compromise its enforcement responsibilities, but, where reasonable, it cooperates with its stakeholders to ensure that its programs and systems work effectively and efficiently.

Customs has also been a leader in crafting cooperative programs with industry to achieve its enforcement objectives. This began with narcotics enforcement when Customs encouraged airlines and ocean carriers to improve their internal security programs and prevent contraband from being inadvertently carried on board their aircraft

and vessels. This expanded to promoting improved security programs among the international business community to prevent contraband from being concealed within their shipments.

Most recently, Commissioner Bonner launched the Customs-Trade Partnership Against Terrorism (C-TPAT) which was jointly developed with the international trade community to improve security of the international supply chain, from the loading docks of foreign vendors to improved personnel screening to U.S. port facilities.

Customs has been willing to make a place at the table for the international business community in the design of its automated systems to the promulgation of new rules. This partnership has served Customs and the American public well and it needs to be continued.

Mr. Chairman, I am firmly of the belief that the reorganization of the new Department of Homeland Security can be a good thing for America and your Committee can contribute significantly to its success by ensuring that the best practices and best programs that currently exist are carried forward. We do not have to sacrifice the many positive contributions by Customs and by the other agencies destined for this new Department if the reorganization is crafted carefully and thoughtfully.

I thank you again for this opportunity to appear before you.