



## **U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS**

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**Contact:** Sean Kevelighan (202) 622-2910

Statement of Timothy E. Skud  
Deputy Assistant Secretary for Tax, Trade, and Tariff Policy  
U.S. Department of the Treasury

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Hearing on Authorizations of Customs and Trade Functions

Mr. Chairman, on behalf of the Treasury Department and also on behalf of the many Federal agencies who are working together to create an international trade data system, I want to thank you and the other Members of the Committee for giving me the opportunity to appear here today.

As this Committee is well aware, the Homeland Security Act transferred the former Customs Service to the Department of Homeland Security (DHS) but left the Secretary of the Treasury with the authority for “customs revenue functions,” as defined by that Act. The Act also provides for the delegation of customs revenue authority to the Secretary of Homeland Security. That authority has been delegated to DHS by the Secretary of the Treasury with the following exceptions:

- Treasury has retained sole authority to approve regulations “concerning import quotas or trade bans, user fees, marking, labeling, copyright and trademark enforcement, and the completion of entry or substance of entry summary including duty assessment and collection, classification, valuation, application of the U.S. Harmonized Tariff Schedules, eligibility or requirements for preferential trade programs, and the establishment of recordkeeping requirements relating thereto.”
- Treasury reviews all rulings involving the topics noted above that result in a change in practice or are the result of a petition process.
- Treasury also shares the chairmanship of COAC, the Advisory Committee on commercial operations of Customs and Border Protection (CBP).

Treasury’s involvement in customs policy is important to our mission not only because revenue collection is a core Treasury function, but also because taxing and regulating international trade has an important impact on our economy, and because regulation of international trade can have an important effect on promoting global growth. Treasury’s overall goals in this area are promoting trade and growth, simplifying and clarifying regulations, and collecting tax accurately and efficiently, with minimal burden on the taxpayer.

We at Treasury also work with DHS and CBP on other areas of mutual concern involving customs revenue functions, as well as on the International Trade Data System (ITDS), a topic which I understand the Committee would like me to address.

The International Trade Data System is the name given to the mechanism for interagency participation in ACE, or the Automated Commercial Environment, the new computer system that CBP is building. The goal of ITDS is to create a “single-window” system so that commercial reporting on international trade can be done through a single electronic filing rather than through separate filings with multiple agencies.

Let me begin by describing the current trade reporting environment.

Today, separate reporting and data systems are maintained by U.S. Federal Government agencies involved in various aspects of the international trade process, including regulation of goods, transportation, and immigration. Exporters and importers deal with numerous paper and electronic systems, and are confronted with duplicative and non-uniform data reporting and record-keeping requirements.

Because international trade is important to our economy, the cost of multiple government reporting requirements imposed on import and export transactions is a burden on the performance of the economy as a whole.

This burden is not imposed as a matter of conscious policy. Rather, as laws have been enacted to implement trade agreements; prevent unfair trade practices; protect the environment, consumers, animal and plant health, and endangered species; ensure highway, rail, and air safety; impose economic sanctions on hostile regimes; and prevent export of sensitive technologies to the wrong people, multiple reporting schemes have been superimposed one on top of another, despite efforts to limit the cumulative burden.

These multiple information collection systems are not only costly and burdensome for both government and the trade community, they also limit the effectiveness of individual agencies in carrying out their enforcement and regulatory responsibilities at the border. Agencies do not necessarily have access to information that other agencies collect, or have the benefit of knowing what enforcement or regulatory actions other agencies have taken in response to that information. They act in isolation rather than together.

The goal of ITDS is to make the Federal Government's collection and use of international trade data can be made less burdensome and more efficient. ITDS is an information technology initiative to reduce the paper and reporting burden on traders by integrating and fully automating the government-wide collection, use, and dissemination of international trade data. Under the ITDS concept, agencies would harmonize their data requirements, eliminating redundancies and minor definitional differences. Traders

would submit standardized electronic import and export data one time to a single collection point, commonly called the “single-window.” The data would then be distributed to agencies depending on what information they need to perform their respective trade-related missions.

Contrary to what the name may suggest, ITDS is not a separate computer system. The ITDS concept will be implemented as a feature of Customs and Border Protection’s ACE Project, the Automated Commercial Environment. The ITDS project is funded and managed by CBP with the collaboration of 28 other government agencies working through the ITDS Board of Directors. Agencies represented on the Board include Treasury; CBP; Food and Drug Administration; Departments of Transportation, Agriculture, and Commerce; and U.S. International Trade Commission. Board members and other agency representatives work closely with a number of CBP offices, but particularly CBP’s Office of Information Technology, and with the ACE Support Team, the consortium of contractors hired by CBP to implement ACE and ITDS.

ITDS is intended to:

- (1) reduce the cost and burden of processing international trade transactions and transport for both the government and the private trade community by substituting standard electronic messages for the multiple and redundant reporting – often on paper forms – that occurs today;
- (2) improve compliance with laws and regulations that apply at the border to carriers (for example, highway safety and vessel clearance), people (drivers and crews of commercial conveyances), and goods (several hundred laws such as those addressing public health and safety, animal and plant health, consumer protection, and enforcement of trade agreements);
- (3) in conjunction with ACE, improve risk assessment. By centralizing and integrating the collection and analysis of information, ACE will enhance CBP’s ability to target cargo, persons, and conveyances. The trade data will allow for advanced inter-agency assessment of risks and threats to determine

which goods and people must be scrutinized. In addition, through ACE, ITDS will be capable of linking the government's law enforcement and other databases that track commerce crossing our borders. ITDS thus extends the functionality of ACE by bringing together critical security, public health, public safety, and environmental protection agencies on a common platform; and

- (4) provide convenient access for Federal agencies to data on international trade that are more accurate, complete, and timely.

ACE/ITDS can also serve as a common payment point for taxes and fees paid to multiple government agencies, providing a single billing and collection point for the variety of charges incurred by traders.

ACE/ITDS will function as a custodian of records for information, and a convenient, single point of access for Federal agencies to data on trade transactions, with each agency having its own, and appropriate, level of access.

One aspect of ITDS is already operational. Sixteen of the participating ITDS agencies already have access to data on import transactions, through the web-based ACE portal. Much groundwork for next steps has been accomplished. With the participation of all the involved agencies, an effort to identify and harmonize their trade data requirements is well underway. Those data requirements are being aligned with data sets developed by the G-7 countries and the World Customs Organization so that we will be closer to the vision of having internationally as well as nationally harmonized trade reporting.

That concludes my remarks Mr. Chairman; I am more than happy to answer any questions you and the Committee may have.

Thank you.