

# Committee on Finance

## United States Senate

*Statement of*

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## **I. INTRODUCTION**

Chairman Baucus, Ranking Member Hatch and Finance Committee members, I want to begin by thanking you for inviting Chrysler Group LLC (hereinafter “Chrysler”) to testify today. Chrysler appreciates being given the opportunity to share its views on S.662, the Trade Facilitation and Trade Enforcement Reauthorization Act of 2013.

My name is William Cook. I am the Director, Worldwide Logistics and Customs, for Chrysler. In this capacity, I lead the team responsible for developing logistics strategy, purchasing transportation services, Customs and export compliance, operating Chrysler Group Transport and controlling logistics operations. I am also a licensed Customs broker and served on the Advisory Committee for Commercial Operations (COAC) of U.S. Customs and Border Protection (CBP) from 2007 until 2010.

## **II. BACKGROUND**

Because of the significant volume of trade involved, coupled with the company’s reliance on just-in-time inventory management practices, Chrysler’s ability to import and export vehicles and parts in an efficient and timely fashion is critical.

In 2012, Chrysler handled almost 300,000 entries into the United States worth \$24 billion. By volume, 70 percent of these entries were production parts and the remainder were vehicles. Chrysler also handled 1.2 million entries into Canada worth almost \$12 billion and 55,000 entries into Mexico worth \$5.5 billion.

Even minimal delays can have serious consequences for the company – if a shipment of parts destined for a manufacturing plant gets delayed at a border, operations may have to shut down until the shipment arrives. And now more than ever, with demand sky high for Chrysler products and fierce competition in the auto sector, we cannot afford any production delays.

As such, it has been Chrysler’s practice to take advantage of every opportunity to reduce the time it takes for the company’s shipments to cross the border and, more generally, to reduce our direct and indirect Customs-related costs. Therefore, Chrysler is a charter member of the Customs-Trade Partnership Against Terrorism (C-TPAT) program and participates in the Importer Self-Assessment (ISA) program. We take advantage of all border crossing privileges that these programs provide, including the Free and Secure Trade (FAST) program. We are a member of the Automotive & Aerospace Center of Excellence and Expertise (CEE) and have participated in a number of U.S. Customs and Border Protection Agency (CBP) pilots. Our participation in such programs is not limited to the United States. For instance, in Canada, Chrysler participates in the Partners in Protection program, the Partners in Compliance program, and the Customs Self-Assessment program.

Additionally, as a member of CBP’s Trade Support Network (TSN), Chrysler provides direct input to the agency regarding the design and development of Customs modernization initiatives, including ACE. Chrysler also provides input as one of our employees is a CBP-designated Automated Commercial Environment (ACE) Trade Ambassador.

Moreover, we are a member of a number of groups that advocate for greater trade facilitation, including the Alliance of Automobile Manufacturers, the American Association of Exporters and Importers, the American Auto Policy Council, the Automotive Industry Action Group, the Business Alliance for Customs Modernization, the National Association of Manufacturers<sup>1</sup>, and the U.S. Chamber of Commerce.

### **III. DISCUSSION OF S.662, THE TRADE FACILITATION AND TRADE ENFORCEMENT REAUTHORIZATION ACT OF 2013**

The remainder of my testimony will focus on provisions in S.662, the Trade Facilitation and Trade Enforcement Reauthorization Act of 2013, which are of particular interest and importance to Chrysler.

#### **A. Joint Strategic Plan on Trade Facilitation and Trade Enforcement**

Chrysler applauds the inclusion of provisions in S.662 requiring the CBP Commissioner and Director of U.S. Immigration and Customs Enforcement (ICE) to develop a biennial “Joint Strategic Plan on Trade Facilitation and Trade Enforcement”.

CBP and ICE are already dedicating time and resources to trade facilitation and trade enforcement, reflecting a commitment to both issues. The establishment of joint reporting requirements and metrics like those proposed in S.662 will help to ensure that the agencies’ efforts are focused and give them, and the public, the ability to assess whether they are making progress in achieving their goals. Moreover, by making it a joint report, it will encourage improved communication and coordination between the two agencies.

Of particular interest to Chrysler is the provision requiring CBP and ICE to describe their “...efforts to improve consultation and coordination among Federal agencies regarding trade facilitation and trade enforcement”. As discussed further below, some of the more serious Customs challenges that Chrysler faces are not necessarily attributable to CBP or ICE, but instead, to participating government agencies with a presence at the border. Anything that can be done to promote better collaboration between these participating government agencies and CBP and ICE is welcome and this reporting requirement is therefore helpful in this regard.

Additionally, Chrysler supports the language in S.662 requiring CBP and ICE to consult with the COAC and TSN when developing the Plan. Both entities can provide the perspective of industry and their trade facilitation and enforcement experiences, and it is important that their views be reflected in the report.

As mentioned previously, Chrysler’s U.S. – Canada trade is significant. Steps that can improve trade facilitation between the two nations, like full implementation of the U.S. – Canada Beyond the Border Action Plan, would significantly benefit the company, as well as other U.S. companies with similar trade profiles.

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<sup>1</sup> Chrysler is the chair of the National Association of Manufacturers Customs and Border Task Force.

This winter, the National Association of Manufacturers sent a letter to then-Acting Commissioner Aguilar, thanking CBP for the progress made to date implementing the Beyond the Border Action Plan. The letter also urged CBP to prioritize the implementation of the following recommendations from the Businesses for a Better Border (B3) Coalition<sup>2</sup>:

- Complete the harmonization of C-TPAT and PIP,
- Align data requirements and submission timeframes,
- Implement identical technology for the transmission of advance data,
- Dedicate primary inspection lanes at all border crossings for C-TPAT/PIP certified companies, and
- Eliminate burdensome visa requirements for Canadian and U.S. citizens and permanent residents traveling for business.

We hope to see these Beyond the Border priorities implemented before the first Joint Strategic Plan is released. If not, these priorities, as well as the other remaining elements of the Beyond the Border initiative, should be included in the Plan, along with firm commitments from CBP and ICE that they will be swiftly implemented.

## **B. The Automated Commercial Environment**

Like the Committee, Chrysler looks forward to the day when ACE is fully up and running and appreciates the support for the development of ACE reflected in S.662. Based on our discussions with CBP, it appears that the Agency is making real progress in rolling out the ACE system. However, the inclusion of ACE-related provisions (as well as International Trade Data System-related provisions) in the reauthorization legislation, and the Committee's exercise of its oversight responsibilities, will help ensure that CBP completes the roll out in a timely fashion.

Chrysler was one of the original 41 participants in the 2004 ACE pilot. Despite the fact that it has yet to be fully implemented, Chrysler is already seeing tremendous benefits from the ACE system, and expects those benefits to increase as additional elements of ACE are rolled out. Of particular interest to Chrysler is the "single window" concept, which will allow Chrysler to use ACE for all of its entries.

Currently, for shipments released using a border release program such as FAST, Department of Transportation and the Food and Drug Administration entry documentation relating to imports of vehicles and some parts cannot be filed through ACE. Chrysler is obligated to use the Automated Commercial System (ACS) for these entry transactions.

Having to file entries in both systems is administratively burdensome, and requires careful monitoring of Chrysler's post-entry work to ensure that it is done properly. ACE entries are filed electronically as Post Summary Corrections (PSC) and ACS entries are filed manually as Post Entry Adjustments (PEA). Moreover, while refund requests filed in ACE are fulfilled in about four to six weeks, it takes CBP six to eight months to fulfill a refund request filed in ACS, a

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<sup>2</sup> Businesses for a Better Border Coalition members include the National Association of Manufacturers, the American Auto Policy Council, Canadian Manufacturers and Exporters (CME) and the Canadian Vehicle Manufacturers Association (CVMA). Chrysler Canada is a member of CME and CVMA.

significant delay of time. Usage of the ACS system has a number of other drawbacks, including the fact that unlike ACE, if a non-ISA importer needs to obtain data concerning past entries for measurement reporting and compliance monitoring, the importer must file a Freedom of Information Act (FOIA) request.

The most recent ACE roll out – Simplified Entry – adds greater certainty to the air freight environment for Chrysler, one of two importers to participate in the 2012 Simplified Entry pilot program. Simplified Entry allows for the release of air cargo prior to the arrival of the aircraft in the United States and eliminates the need for a broker to file a Customs Release Form 3461, which is especially important when cargo is arriving after hours. As a result, a potential delay in the delivery of parts to Chrysler’s plants is eliminated.

We understand that the next ACE roll out will relate to export reporting, which could improve the company’s ability to manage its exports and duty drawback filings, and Chrysler will seek to participate in any export reporting pilot program.

### **C. The Centers of Excellence and Expertise**

Chrysler was pleased to see that S.662 includes language authorizing the creation of the Centers of Excellence and Expertise (CEE). As mentioned above, Chrysler is a member of the Automotive and Aerospace CEE and has had a very positive experience. Chrysler’s import entries are now reviewed by a centralized team within the CEE that is familiar with automotive products. The Chrysler Customs Department meets with the CEE management on a regular basis to discuss ways to process Chrysler entries in the most efficient manner possible, which saves time and money for both Chrysler and CBP.

Chrysler also works with the CEE when other ports make requests that do not appear to align with Customs policies and procedures. Through these types of efforts, the CEE is driving improved consistency between different ports of entry, which has been a longstanding concern for importers.

### **D. The Advisory Committee for Commercial Operations**

From 2007-2010, I served as a COAC member and can attest to the important role that the Advisory Committee can play in driving policy improvements. Reviewing the provisions in S.662 authorizing COAC, it is apparent that many of the proposed requirements for the COAC are already the norm. Nevertheless, the codification of these practices is important and will ensure that the Advisory Committee continues to play an important role in the development and implementation of U.S. Customs policy.

Chrysler respectfully suggests that S.662 should explicitly allow non-COAC advisors to participate on the COAC subcommittees. This practice has worked well in the past, and allows the COAC to access broad, technical expertise and a wider range of perspectives.

### **E. Intellectual Property Rights Enforcement**

For Chrysler, intellectual property rights enforcement is about safety. If subpar, counterfeit parts end up on a Chrysler vehicle, it could put the driver, their passengers and others at risk. The

company therefore takes combatting counterfeits very seriously and welcomes the attention that S.662 gives to this important issue.

To date, working with CBP, we have had some success in combatting counterfeit parts. For instance, in March 2013, CBP notified Chrysler Brand Protection of a suspect shipment of 198 Dodge Charger wheels from China entering at the Port of Tampa. Working with our Brampton Plant, Brand Protection confirmed that the wheels were counterfeit.

Building off of successes like these, Chrysler is seeking to make its collaboration with CBP to combat the import of counterfeit goods more efficient and effective.

Chrysler is striving for improved and more streamlined information sharing between CBP and the company concerning a suspect entry. We suggest that CBP should simultaneously share electronically as much information as possible, including photos, regarding suspect goods with all the Chrysler business units with counterfeit goods responsibilities. Right now, CBP only provides Chrysler with a limited amount of information about a suspect shipment, despite the fact that we have an IPR bond. Moreover, initial contact with Chrysler is typically by certified mail or phone. These interactions could be made much more efficient, reducing the time and effort spent by both CBP and Chrysler vetting suspect shipments.

Chrysler is also seeking to ensure that CBP's counterfeit targeting better reflects its priorities (e.g., not t-shirts and trinkets) and takes into greater consideration Chrysler's Customs practices. For instance, in all but a very few instances, Chrysler should always be the importer of record on an entry of parts. If that is not the case, there is a very high likelihood that the shipment is counterfeit and as such, CBP should alert the company.

This year, CBP and the Automotive & Aerospace CEE have proactively reached out to Chrysler expressing an interest in working with the company on counterfeiting issues. We are taking full advantage of the Agency's interest and engagement. Our discussions with CBP on ways to improve our collaboration are still in the preliminary stages, and the Agency's ability to accommodate our requests remains unclear. However, what is apparent is that the IPR provisions reflected in S.662 would give CBP an enhanced mandate to work with Chrysler, as well as other companies, to combat counterfeit goods.

#### **F. Pilot Program to Designate 24-Hour Commercial Ports of Entry**

Chrysler was pleased to see language in S.662 requiring CBP to launch a pilot program to designate more 24-hour commercial ports of entry. As discussed above, Chrysler relies on just-in-time inventory management practices and as such, even minimal delays can have serious consequences for the company. Moreover, reflecting the integration of the North American auto sector, the volume of trade in Chrysler vehicles and parts between the United States, Canada and Mexico is considerable. Thus, keeping more of these U.S. – Canada and U.S. – Mexico land border commercial ports of entry open 24 hours a day to accept merchandise entries would help to reduce wait times at the border, facilitate increased trade and significantly benefit Chrysler and many other U.S. companies.

#### **G. De Minimis and Informal Entry**

While not a priority issue for Chrysler, we were pleased to see that S.662 increases the de minimis threshold to \$800 and the informal entry threshold to \$2500. As CBP increased the informal entry value to \$2500 last year, the legislation would codify the existing regulation. But the increase in the de minimis would be a new, significant development, allowing CBP to allocate more resources to enhance trade facilitation and combat counterfeit goods.

#### **IV. CONCLUSION**

Chrysler welcomes the introduction of S.662, the Trade Facilitation and Trade Enforcement Reauthorization Act of 2013 and hope that it is taken up for consideration by the Committee and on the Senate floor as soon as possible. Like many industries, the auto sector is extremely competitive. Many of the measures included in this legislation will help to streamline and make more efficient Customs processes and procedures. And while the savings on a single entry associated with these proposed improvements may not necessarily be large, for companies like Chrysler, which had almost 300,000 import entries in 2012 and over 100,000 export filings, the total savings, and corresponding increased competitiveness, would certainly be significant.