

**AUTHORIZATION OF APPROPRIATIONS FOR THE U.S.
INTERNATIONAL TRADE COMMISSION AND U.S.
CUSTOMS SERVICE FOR FISCAL YEAR 1980**

HEARING
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-SIXTH CONGRESS
FIRST SESSION

APRIL 23, 1979



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AUTHORIZATION OF APPROPRIATIONS FOR THE U.S. INTERNATIONAL TRADE COMMISSION AND U.S. CUSTOMS SERVICE FOR FISCAL YEAR 1980

MONDAY, APRIL 23, 1979

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Abraham Ribicoff, chairman of the subcommittee, presiding.

Present: Senators Ribicoff, Long, and Dole.

[The press release announcing this hearing follows:]

[Press release from the Committee on Finance, Apr. 9, 1979]

FINANCE SUBCOMMITTEE ON INTERNATIONAL TRADE SETS HEARING ON AUTHORIZATION OF APPROPRIATIONS FOR THE U.S. INTERNATIONAL TRADE COMMISSION AND U.S. CUSTOMS SERVICE FOR FISCAL YEAR 1980

Senator Abraham Ribicoff (D., Conn.), Chairman of the Subcommittee on International Trade of the Senate Committee on Finance announced today that the Subcommittee will hold a hearing on April 23, 1979, on the authorization of appropriations for the U.S. International Trade Commission and the U.S. Customs Service.

The hearing will begin at 10 a.m. in Room 2221 of the Dirksen Senate Office Building.

Section 330(e) of the Tariff Act of 1930, as amended by the Trade Act of 1974, requires an annual authorization of appropriations for the U.S. International Trade Commission. The Commission, whose proposed appropriations are required to be included in the budget submitted by the President to the Congress without revision, has requested \$14.7 million for fiscal year 1980, an increase of about \$1.3 million over the fiscal year 1979 budget. The Commission performs numerous studies in trade matters for the Congress and the President, and administers certain unfair trade practice and other statutes relating to the importation of articles into the United States.

Section 301 of the Customs Procedural Reform and Simplification Act of 1978 requires an annual authorization of appropriations for the U.S. Customs Service. The amount requested in the President's budget for the Customs Service in fiscal year 1980 is \$446,857,000, about \$4 million more than the fiscal year 1979 budget. The Service collects about \$6 billion in customs duties each year and administers over 300 laws relating to the importation of products into the United States.

Witnesses who desire to testify at the hearing should submit a written request to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510 by no later than the close of business April 18, 1979. Witnesses will be notified as soon as possible after this date as to whether and when they are scheduled to appear. If for some reason the witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance.

Legislative Reorganization Act.—Senator Ribicoff stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify should comply with the following rules:

1. All witnesses must include with their written statements a summary of the principal points included in the statement.

2. The written statements must be typed on letter-size paper (not legal size) and at least 100 copies must be delivered to Room 2227 Dirksen Senate Office Building not later than 5 p.m. on the day before the witness is scheduled to appear.

3. Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.

4. No more than 5 minutes will be allowed for oral presentation.

Written testimony.—Senator Ribicoff stated that the Subcommittee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by May 4, 1979, to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510.

Senator RIBICOFF. The committee will be in order.

Today, the Subcommittee on International Trade will hear testimony on fiscal year 1980 authorizations of appropriations for the U.S. International Trade Commission and the Customs Service. The Customs Service is requesting \$446.9 million, \$4 million more than fiscal year 1979. The ITC is requesting \$14.7 million, \$1.3 million more than last year.

Our first witness will be Joseph Parker, Chairman, International Trade Commission.

STATEMENT OF HON. JOSEPH O. PARKER, CHAIRMAN, U.S. INTERNATIONAL TRADE COMMISSION, ACCOMPANIED BY BILL ALBERGER, VICE CHAIRMAN, AND EDWARD C. WALLINGTON, DIRECTOR, FINANCE AND BUDGET

Mr. PARKER. Good morning, Mr. Chairman.

We are certainly pleased to be here and appear before this committee today in order to discuss with you the fiscal year 1980 budget authorization request of the U.S. International Trade Commission. First, I would like to express, on my behalf and on behalf of the Commission our appreciation for the committee's continued interest in and support of the work of our Commission.

I am accompanied this morning by Vice Chairman Bill Alberger on my right and Mr. Edward Wallington, the Commission's Chief of Finance and Budget on my left. There are also other members of the staff present, in the event that there are questions from the committee.

I have a prepared statement, Mr. Chairman, I will be happy to follow your wishes. I can make it a part of the record and then summarize and highlight it.

Senator RIBICOFF. Will you please? Without objection, it will go into the record as if read. You may summarize the main points you want to make.

Mr. PARKER. Thank you, sir.

The Commission is requesting an authorization of \$14.7 million to support its operations and a staff of 416 during fiscal year 1980. This represents an increase of \$1,268,000. The dollar increase requested represents an increase of 9 percent over fiscal year 1979. Over 40 percent of that increase, or \$524,000, is automatic resulting from such things as compulsory pay increases and inflationary cost increases over which we have no control. The remaining \$744,000 which is an increase of about 5.5 percent over the fiscal year 1979 authorization, will be required for program increases. The manpower supported by this authorization request will provide 21 additional positions for a total full-time staff less than was authorized in 1976.

In developing our authorization request, we have employed zero based budgeting procedures. We believe that it is at a minimum level consistent with our responsibility and anticipated workload. The authorization requested will permit us to give greater emphasis to issues relating to exports and access to foreign markets and to the competition of foreign industries with those of the United States.

The number of investigations which are made by the Commission under its various authorities continues to increase. They are also more complex. In fiscal year 1977, the Commission completed 41 investigations. In fiscal year 1978, we completed 71 investigations, an increase of over 70 percent. The Commission estimates that this heavy workload will increase in fiscal year 1980. Because investigations may be initiated upon petition of interested persons, the Commission has very limited control over this workload.

The Ways and Means Committee reported its authorization bill on March 21, 1979. It authorized \$14,150,000 for the International Trade Commission, a reduction of \$550,000 from the amount requested. Approximately \$200,000 of that reduction was made not because the funds were not needed or were not justified but because of a belief that such funds should be provided in another manner.

Public Law 95-630 directed the Commission to investigate and report to the Congress on the impact of the activities of the Export-Import Bank on industries and employment in the United States. It is estimated that this activity will require about \$200,000.

The Ways and Means Committee, in its bill, reduced our authorization request by that amount and included a provision which directs that "No part of any sum that is appropriated under the authority of this paragraph may be used by the Commission for the making of any special study, investigation, or report that is requested by any agency of the executive branch unless that agency reimburses the Commission for the cost thereof."

Senator RIBICOFF. Let me ask you, under the law, as it now stands, will the bank be required to reimburse you for that?

Mr. PARKER. We are not aware of any provision in the law that would require that.

Senator RIBICOFF. The budget burden would then be on your Commission, even though this is not something you initiated?

Mr. PARKER. That is correct.

I have attempted to explain it this way, if that provision becomes law, the Commission will, in effect, be directed to perform certain

work by law, but the authorizing legislation will prohibit the use of any funds for performing that work without reimbursement.

Since the Commission would have no way of requiring reimbursement, it would be placed in the position of being in possible violation of Public Law 95-630, or being in conflict with the prohibitory language of the House authorization bill.

Senator RIBICOFF. In the event that we went along with the Ways and Means Committee's thought, where would the cuts be made effective? How would you administer it? How would you have to administer it in your Commission?

Mr. PARKER. We really have not made an analysis of that yet. It would be difficult, because we intend to do a great part of this work with our present organization and perhaps our present personnel, or utilize to some extent additional personnel, that we hope will be provided in the appropriation.

Senator RIBICOFF. As you know, the Finance Committee has been consulting with the administration of the implementation of the multilateral trade negotiations. As a result of these consultations, it seems likely that your Commission is going to be given a lot of work to perform.

You are familiar with what is being considered, including an injury test, several subsidiary injury or impact findings, in the countervailing and antidumping laws. If these changes are made in the law, how many additional people, and what amount of funds is it that you estimate that the ITC will need to carry out its new responsibilities?

Mr. PARKER. We have certainly been giving a lot of thought to this particular question and, as you know, our staff has been privy, with the consent of the committee, to follow these discussions rather closely. But it frankly is a very difficult thing for us to come up with a very hard estimate.

Senator RIBICOFF. Did the Ways and Means Committee take this into account, the new responsibilities under implementing the MTN?

Mr. PARKER. I do not think they gave any consideration to that. As a matter of fact, we indicated to them in our basic request—we do not have anything in our request with respect to the new responsibilities that might be imposed upon us as a result of MTN implementing legislation.

Senator RIBICOFF. I think that it might be wise for you and your staff to consult with the Finance Committee staff as to what the prospective additional burdens will be, because certainly, if we are going to give additional burdens to you, we do have the obligation to make sure that you can carry out the responsibilities that we are placing on you. There is no sense giving you responsibilities that you cannot perform.

Mr. PARKER. We will certainly welcome that opportunity, Mr. Chairman. We have had some quite broad range estimates developed by our staff in its consideration of it, and we would welcome the opportunity of reviewing these with your staff to make certain that we fully understand what some of these new duties might consist of.

For example, I think at the bare minimum, it would involve probably about 40 additional people and an additional appropriation of \$1.5 million. In the countervail and the antidumping field, with the reduced time in many instances to conduct the investigations plus the additional determinations that have to be made, there are three or

four different kinds of determinations that have to be made in almost every proceeding.

We also request that this committee consider authorizing the \$350,000 that was reduced from our budget request by the House; the House Committee left it to the discretion of the Commission as to how that \$350,000 cut would be absorbed, but their report indicates that apparently we failed to make our request clear because a statement in the House Committee report seems to indicate that they thought that we were in some way seeking to involve the Commission in export promotion activities or activities in connection with MTN implementation. And, of course, as I indicated, we had nothing in our request for the MTN implementation, and our request certainly does not involve any matter of export promotion. Our request deals solely with the conduct of activities which are authorized under present provisions of law.

The \$350,000 involves investigations and economic analysis of the comparative competitiveness of U.S. producers with foreign producers and equality of market access to foreign markets for U.S. producers.

This is a general area in which this committee has indicated strong interest. One of the principal threads that runs throughout almost every activity that the Commission is involved in is this question of relative competitiveness of the U.S. producers with foreign producers and what is the impact of imports, or what is the impact of exports.

This is true whether the matter arises in connection with import problems or export problems, so you cannot say that they are one or the other. They are a part of the total.

The maintenance of relevant data and its analysis in connection with both import and export trade issues we believe is of greater importance than ever before, as trade expands and as the world becomes more interdependent. In the Trade Act of 1974, this committee in particular pointed out the need for market access and maximizing our export opportunities.

As we have done work for this committee, we find a need for better data and better analysis in this area. We have in this budget a modest increase that would account for about 15 people who will be devoted primarily to better economic analysis in this area.

That completes our statement, Mr. Chairman. If there are any questions, we will be happy to try to answer them.

Senator RIBICOFF. Senator Long?

Senator LONG. If I understand correctly, you are saying that this budget has nothing extra in it for the new responsibilities that you are to be assigned. For example, the implementing bill for the MTN may well call for a speed up of the decisionmaking process and a speed up of the investigations process, and if you are going to do it more rapidly, you will need more people. Also, it may require the finding of injury in cases where an injury finding was not required before. That also requires more people, does it not? It requires more work.

Mr. PARKER. More work, more information, yes, sir. That is correct.

Senator LONG. Do I understand that you do not have the money in here to do that, to cover an additional workload?

Mr. PARKER. We do not. One of the reasons we do not is that when we go before the Appropriations Committee, they tell us we cannot ask them for anything that has not been authorized by legislation. So specifically we did not feel we had that authority.

Senator LONG. I see. So the Appropriations Committee does not want to give you any money for something that has not been enacted; meanwhile, here we are possibly about to enact something to require more work of you. Yet we will appropriate on the basis of your present workload and, by the time you get the money, you will have a bigger workload?

Mr. PARKER. Yes, sir.

Then I should point out also we did most of the work on this budget request last fall before you got as far along as you are now in the consideration of implementing legislation requirements.

Senator LONG. Thank you.

Senator RIBICOFF. Do any one of you gentlemen want to make any further comment or testimony?

Mr. PARKER. Commissioner Alberger?

Mr. ALBERGER. Thank you, Mr. Chairman.

I would just like to amplify a little bit on a question of what we will need once the MTN process is completed. It appears from our analysis at this point that we will probably have at least twice as many investigations as we have now, given the increases in the countervailing duty area and the additional investigations that would occur in dumping and 45 day investigations and so forth.

Looking at the level of involvement that we have had in terms of staff over the last 2 years in investigations, looking at man-years, that if we were to keep the same level of participation, we would probably need 135 more people and \$4.5 million more. We think that is probably a little bit unrealistic in terms of anything we could request, so we have been trying to figure out how to scale back and how to do investigations in a different, yet efficient manner.

It would also, of course, be a major problem to add 135 more people during the course of a year to an agency of 350 or 400 and try to get them trained properly to handle investigations. That is where we get to the figure the chairman gave of 40 people and \$1.5 million as being a good way to get going and do the investigations in an efficient manner at a level that we hope you would believe is totally acceptable.

Senator RIBICOFF. I have no further questions. Thank you very much, gentlemen.

I think that it should be kept in mind that there is a very strong likelihood that there will be a Department of Commerce and Trade, or a Department of International Trade Investment. Where your organization comes into it, I do not know at the present time. That will have a bearing on where we are going.

The administration has promised that they will have their proposals up to me and to the members of this committee sometime after the recess, so I would anticipate we would be having a look at it sometime in the next week or so.

Thank you very much, gentlemen.

[The prepared statement of Mr. Parker follows:]

STATEMENT OF JOSEPH O. PARKER, CHAIRMAN U.S. INTERNATIONAL TRADE COMMISSION

Mr. Chairman and members of the subcommittee, I am pleased to be here today and to have this opportunity to discuss with you the fiscal year 1980 budget authorization request of the United States International Trade Commission. Let me also express my appreciation for the Committee's continued keen interest in and support of the work of the International Trade Commission.

I am accompanied today by Vice Chairman Bill Alberger and Mr. Edward Wallington, the Commission's Chief of Finance and Budget. Other staff members are also present.

The Commission is requesting an authorization of \$14,700,000 to support its operations and a staff of 416 during fiscal year 1980. This represents an increase of \$1,268,000. The dollar increase requested represents an increase of 9 percent over fiscal year 1979. Over 40 percent of that increase, or \$524,000, is automatic resulting from such things as compulsory pay increases and inflationary cost increases over which we have no control. The remaining \$744,000, which is an increase of about 5.5 percent over the fiscal year 1979 authorization, will be required for program increases. The manpower supported by this authorization request will provide 21 additional positions for a total full-time staff less than was authorized in 1976.

In developing our authorization request, we have employed zero based budgeting procedures. We believe that it is at a minimum level consistent with our responsibilities and anticipated workload. The authorization requested will permit us to give greater emphasis to issues relating to exports and access to foreign markets and to the competition of foreign industries with those of the United States.

The Finance Committee, in its report on the bill which became the Trade Act of 1974, stated that one of the purposes of the Act was to obtain "fair treatment and equitable market access for exports of the United States." Section 131(c) of the Trade Act directed the Commission to provide advice as to the probable economic effects of modifications of any barrier to international trade on domestic industries. In commenting on this section, the Committee stated, "The advice contemplated under this section should include the extent to which market access would be increased or otherwise affected by modification or elimination of the trade barrier." The emphasis which the Finance Committee has placed on U.S. exports and the need for market access requires the Commission to focus beyond the import side of trade and to maintain an expertise and capability to cope with issues related to exports as well as imports. This added emphasis is essential to the development of policies and measures for improving the trade posture of the United States.

Under the provision of section 163 of the Trade Act, the Commission is directed to report to the Congress on the operation of the trade agreements program. This responsibility will have far greater significance in the future than in the past because of the broad reach of the codes and agreements being negotiated and of their importance to United States trade. Effective reporting to the Congress will necessarily require analysis and appraisals of the operation of the various codes and agreements upon United States trade, exports as well as imports.

The number of investigations which are made by the Commission under its various authorities continues to increase. They are also more complex. In fiscal year 1977, the Commission completed 41 investigations. In fiscal year 1978, we completed 71 investigations, an increase of over 70 percent. The Commission estimates that this heavy workload will increase in fiscal year 1980. Because investigations may be initiated upon petition of interested persons, the Commission has very limited control over this workload. It is necessary for the Commission to maintain a high degree of expertise and a readiness capability to be able to act expeditiously and within the time limits established on questions concerning almost any article involved in international trade.

In arriving at our authorization request, we believe that we have estimated our needs conservatively. We have made no allowance in our request for any additional responsibilities which might be imposed under legislation to implement the new trade agreements.

The Ways and Means Committee reported its authorization bill on March 21, 1979. It authorized \$14,150,000 for the International Trade Commission, a reduction of \$550,000 from the amount requested. Approximately \$200,000 of that reduction was made not because the funds were not needed or were not justified but because of a belief that such funds should be provided in another manner. Public Law 95-630 directed the Commission to investigate and report to the Congress on the impact of the activities of the Export-Import Bank on industries and employment in the United States. It is estimated that his activity will require about \$200,000.

The Ways and Means Committee, in its bill, reduced our authorization request by that amount and included a provision which directs that "No part of any sum that is appropriated under the authority of this paragraph may be used by the Commission for the making of any special study, investigation, or report that is

requested by any agency of the executive branch unless that agency reimburses the Commission for the cost thereof." Thus, if that provision becomes law, the Commission will, by Public Law 95-630, be directed to perform certain work, but the authorizing legislation will prohibit the use of any funds for performing that work without reimbursement. The International Trade Commission would have no way of requiring reimbursement and it would be placed in a position of being in possible violation of Public Law 95-630 or be in conflict with the prohibitory language in the House authorization bill. To avoid this situation, we request that the Senate Finance Committee authorize the appropriation requested.

In addition to the \$200,000 referred to above, the Ways and Means Committee cut our authorization amount by another \$350,000. The House Committee left to the Commission discretion to make reductions wherever it believes necessary. The language in the Committee report, however, indicates that we failed to make our needs and purposes clear to the Committee. This is apparent by the references in the Committee report concerning the lack of coordination of Commission activities with other agencies involved in export promotion and that decisions with respect to MTN implementation have not been made. The request in issue has no tie with export promotion activities which are conducted by other agencies and for which we have no responsibility or with MTN implementation. None of the funds requested by the Commission are for the conduct of activities not authorized by existing provisions of law.

One of the increased areas of activity contemplated in our budget request and which would be affected by this cut involves increased emphasis on access to foreign markets by U.S. producers and the comparative competitiveness of U.S. producers with foreign producers. This is one of the areas in which this Committee has indicated strong interest.

Section 332 of the Tariff Act of 1930, as amended, among other things empowers the Commission to investigate the conditions, causes, and effects relating to competition of foreign industries with those of the United States. One of the principal threads which permeates almost every activity of the Commission involves the relative competitiveness of U.S. producers with foreign competitors. The economic analysis and relevant data necessary to such evaluations are of even greater importance now because such information is essential to determine whether United States industries receive equitable treatment and equitable access to world markets. Increased emphasis in this area is necessary to enable the Commission to be more responsive to the recognized objectives of the Committee on Finance. The full authorization requested by the Commission is essential for this increased emphasis.

Senator RIBICOFF. Mr. Robert Chasen, Commissioner, U.S. Customs Service. You may proceed, sir.

STATEMENT OF ROBERT CHASEN, COMMISSIONER, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

Mr. CHASEN, I appreciate the opportunity, Mr. Chairman and members of the committee, to be here today to support the fiscal year 1980 authorization request of the U.S. Customs Service. As you indicated, our request is \$446.9 million which represents a 1-percent increase over our fiscal year 1979 level.

In keeping with the administration's effort to hold down spending, this is a lean budget, and includes an overall manpower reduction of 518 positions. Program increases are pegged at \$3.4 million, including \$1.7 million for research and development. Approximately 69 percent of the fiscal year 1980 budget is programed for services which are concentrated on the expeditious examining and processing of international travelers and imported goods. The remaining 31 percent is divided into categories which include enforcement, legal, and administrative assistance.

The mission of the U.S. Customs Service has always been to facilitate international trade and travel, and enforce the country's complex trade laws and regulations. The fiscal year 1980 budget continues to

reflect this basic principle and emphasizes a growing trend toward modern, advanced technology. Examples of this emphasis include a modern, postaudit system which will facilitate the processing of imported goods, new postal and customs mail inspection facilities at JFK Airport and continued implementation of sophisticated electronic and chemical narcotic-detection systems.

The Customs Service is one of the major revenue-producing and law enforcement arms of our Government. Customs provides substantial sums of money for the Government's operation at a very low cost, in addition to providing essential enforcement support to high-priority national policies concerning international trade, national health, safety and security.

During fiscal year 1978, the Customs Service collected a record \$7.5 billion in revenues. This figure translates into Customs returning to the Treasury \$18 for each dollar expended. It is estimated that during fiscal year 1980 this figure will increase to \$8.4 billion. Customs also anticipates that it will process over 4.4 million formal entries of imported merchandise; process 300 million international passengers; and clear 85 million land, air and sea carriers.

We fully support the efforts and interests of the administration and this committee to keep Government expenditures to a minimum, and our budget request represents our shared concern for such fiscal constraint. We realize that this will require some hard choices in establishing our priorities for fiscal year 1980.

I would also like to advise the committee that we are working with the Treasury Department to determine whether or not we should amend our request to seek additional resources in the dumping and countervailing duty area. The proposals being discussed to implement the MTN agreement will place added requirements on us. To meet these, and to enhance our current level of performance may require additional resources, and we intend to keep the committee informed about this.

This concludes my introductory remarks and I will be happy to answer any questions. I might say, Mr. Chairman and Senator Long, I have with me Assistant Commissioner Hann, in charge of our operations; Ken Wilson, our Budget Director; and Mr. Leonard Lehman, Assistant Commissioner for Regulations and Rulings.

Senator RIBICOFF. In the preliminary work we have been doing in this committee with the administration on the implementing legislation for the MTN, it is very obvious that our antidumping and countervailing duty laws are going to be completely revised. There is going to be a much shorter period for investigation under these provisions.

These new laws that have been passed by Congress will become effective in fiscal year 1980. Now, how are you going to implement those under the present budget that you have made?

Again, as I indicated to the ITC, we have got a problem. You must be realistic.

Have you given any thought at all to what is in the works?

Mr. CHASEN. Yes, sir. I have given considerable thought to this matter. I believe in trying to estimate the amount of time I personally spend. A majority of my time has been spent on antidumping and some countervailing duty matters.

After coming to this realization, several key members of my staff and I made an intensive study and we have worked with Treasury and have made some serious recommendations. We have made some serious recommendations as to how this problem can best be handled, and this includes additional staffing and an upgrading in the quality of staff.

Senator RIBICOFF. Again, I think that it would be wise for you to have some consultation with the Finance Committee staff. My feeling is that the antidumping and countervailing duty provisions will have much greater use in the future than they have in the past, and if you find yourself in a position that you cannot comply with all of these applications and complaints, then the whole purpose of what we are doing in the Finance Committee would be frustrated. American industry is going to have to be served, and if suddenly you find you cannot do the job, we face great problems and legitimate complaint from American industry.

So, here again, I think that you should be talking to the staff. The Finance Committee staff is well aware of what we are doing, to try to find out where you should be going. Chairman Long and myself want to make sure that what we do pass in Congress will be effective. There is no sense passing laws and finding they are ineffective.

Mr. CHASEN. Yes, sir. We will be doing that.

Senator RIBICOFF. If you would undertake a consultation with the Finance Committee staff. A major administrative goal in the Customs Procedure Reform Act last year was to permit consolidated billing of multiple entries.

The Finance Committee approved this change, which would permit estimated duties to be deposited within 30 days after entry rather than 10 days, as under previous practice. We were told that this delay in collection was necessary to conform to modern day business practices and to increase customs efficiency.

Now, the Office of Management and Budget proposes to require the duty deposits within 3 days after entry. What is going on? If you want up to 30 days to increase efficiency, what will a 3-day rule do to increase efficiency? How much would it cost to implement, and what do you think of the proposal personally?

Mr. CHASEN. The discussion concerning the 3-day rule originated with studies made by the GAO and by OMB concerning cash management. Basically, the reduced period of time is designed to get the cash to the Government as quickly as possible.

Some of the suggestions for cash management we implemented very quickly. This one we have delayed implementation because we are working with OMB and we have discussed it up here on the Hill to arrive at some balanced period that is satisfactory both to the Government and to the business community.

I think that we are going to arrive at some balanced period probably a little longer than the 3-day period.

Senator RIBICOFF. Last October, the GAO recommended that the Customs Service reduce a number of its regional offices. The Ways and Means authorization bill would require elimination of three of the nine regions by the end of fiscal 1981.

First, name me the nine regions that you now have and what three regions are intended to be eliminated? I want to know what you gentlemen think of that provision in the Ways and Means authorization bill.

What are the nine regions?

Mr. CHASEN. The nine regions are Boston, New York, Baltimore, Miami, New Orleans, Houston, Los Angeles, San Francisco, and Chicago.

Senator RIBICOFF. Which ones are to be eliminated?

Mr. CHASEN. No recommendation was made as to specific regions to be eliminated. We did make a study about 2 years ago which recommended that we could operate with six regions. The House Ways and Means Subcommittee has asked us to be in a configuration of six regions by the end of 1981.

I would say this, that I personally am sympathetic to the concept of less regions and some time ago there was a discussion of consolidating part of the INS into the Customs Service. INS has four regions; we have even considered as little as four regions. But I would like to continue that study with the objective of possibly operating with less regions.

Senator RIBICOFF. I can well imagine that Senator Long is going to be interested as to whether New Orleans is one of the regions that is going to be eliminated. It is very difficult to come to Congress and say we are going to cut back on the nine regions. Everyone is going to want to know which three are going to be out and what impact that will have on the work being done.

Have you done any preliminary studies as what 3 regions will be eliminated?

Mr. CHASEN. What was done, different configurations were drawn out to make six regions. The decision as to what was to be the regional headquarters was not made, and I recall no discussion which eliminated New Orleans as a regional headquarters, but the decision as to what would be the regional headquarters was where the problem might occur, and that was not made.

Senator RIBICOFF. I think we ought to see the configurations and get an idea. As you list those, I never thought about this problem. As I listened to the naming of the regions, they all seem very large and basic to the work of your agency. When you consider the tremendous amount of goods and services and passenger traffic that comes into all that you have named, I do not know whether it would be more efficient or less efficient to eliminate some of these regions.

Mr. CHASEN. It is a management problem. In the 1960's, there were about 113 primary management areas all reporting to Washington. A very intense study was made, and 45 districts were created. This was considered too large a number to report to Washington, and from that, it was decided that there would be 9 regions supervising the 45 districts.

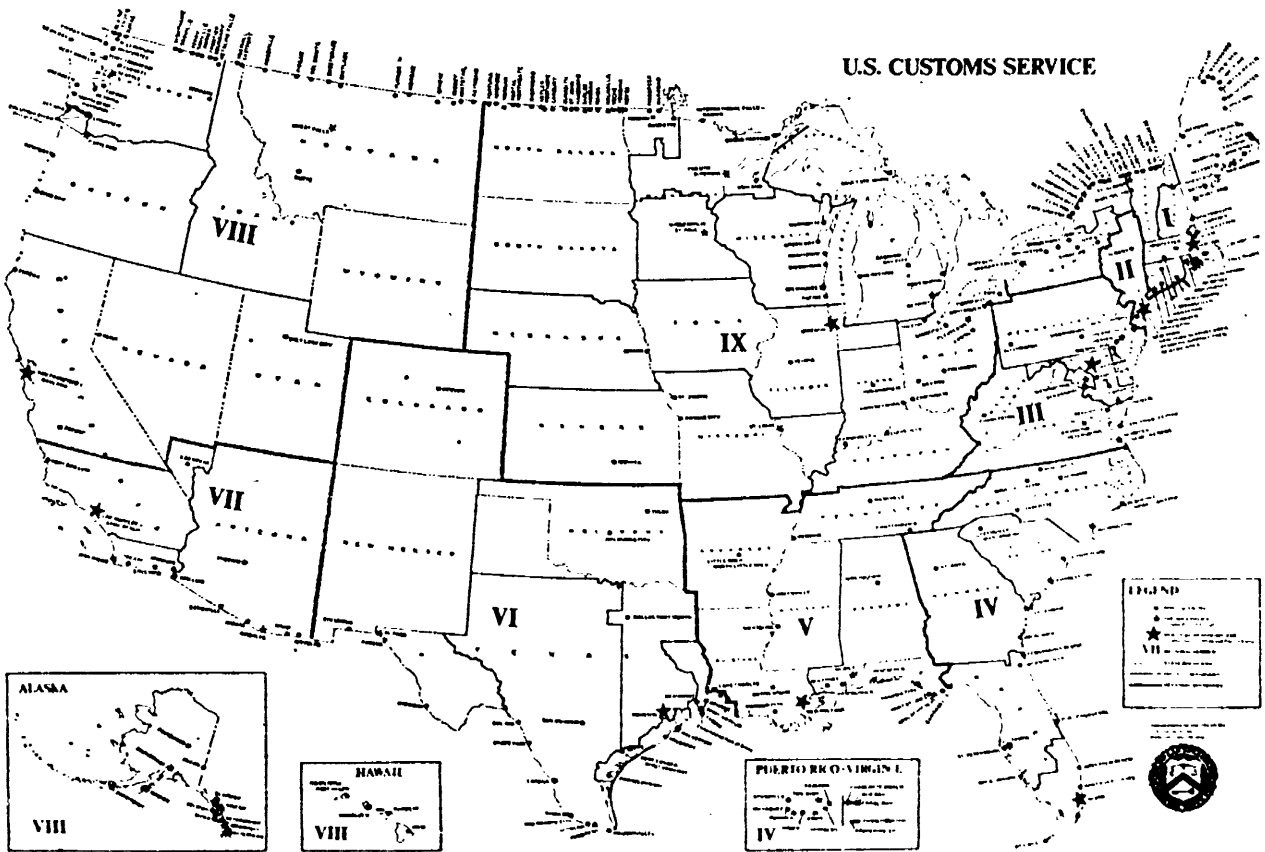
The question comes up, what is the best way to manage 45 districts and in industry, a good management span of control is between 7 and 10, and I think that probably 6 to 9 regions, somewhere in there, is a proper management control.

Senator RIBICOFF. I think that you ought to supply the committee with the present configuration of the nine regions and the configuration of the six regions so that not only Senator Long and myself, but other members of the committee, who would like to, could appraise how this looks.

Mr. CHASEN. Yes; we will do that.

[The information to be furnished follows.]

U.S. CUSTOMS SERVICE

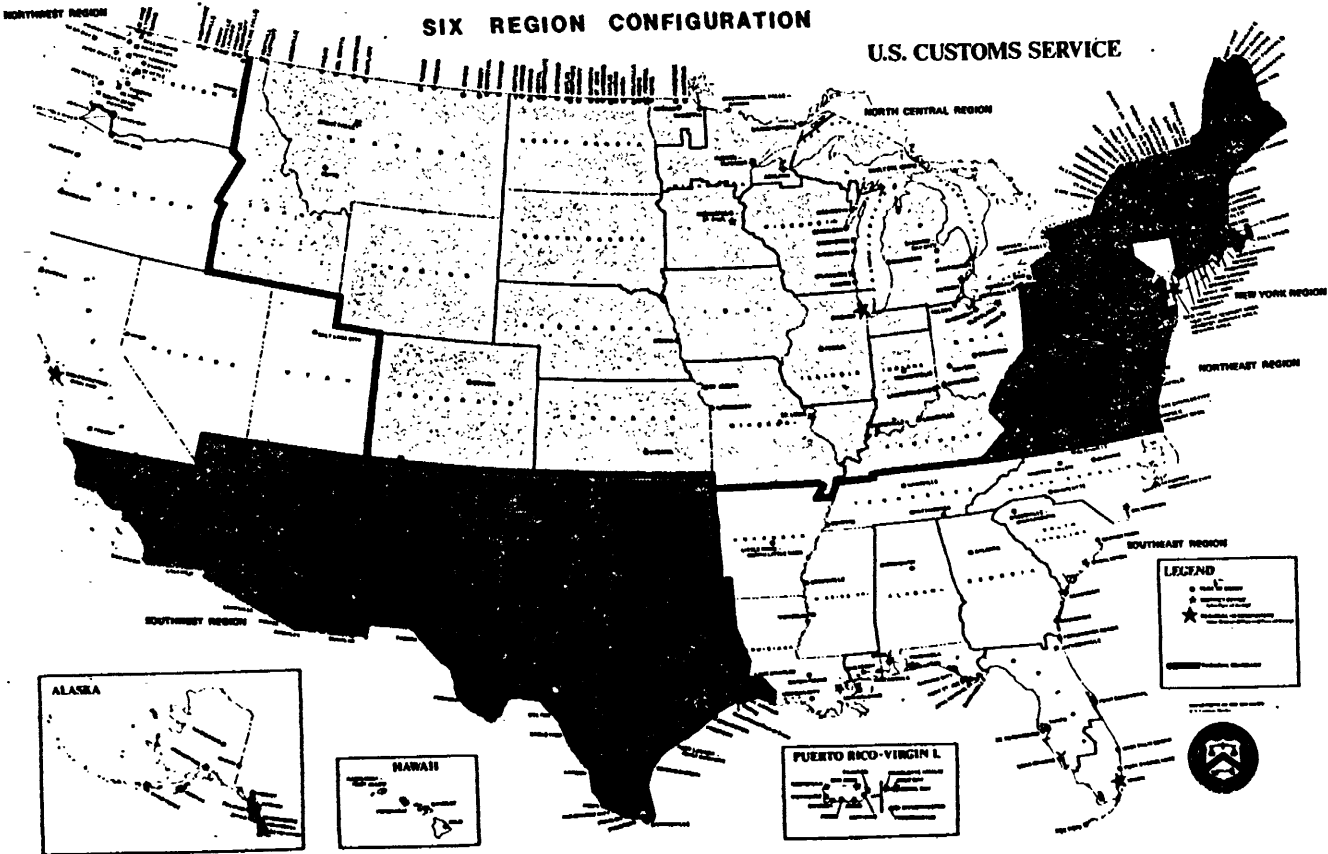


Nine region configuration

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SIX REGION CONFIGURATION

U.S. CUSTOMS SERVICE



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Six region configuration

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Even though this was the initial six Customs region configuration, subsequent discussion with the Treasury Department concluded that the Headquarters Cities of the six regions should be determined later.

Senator RIBICOFF. Senator Long?

Senator LONG. The Secretary of the Treasury wrote an article indicating that he was a very busy man and was not able to give some matters that are not high priority the attention he would like to give them. He mentioned the Customs Service. Are you aware of the article?

Mr. CHASEN. The one in Fortune Magazine? Yes, sir.

Senator LONG. He suggested in there that other countries, the countries that we are trading with, do not insist on opening the bags of people going into those nations and he said it is outdated for us to do it, that we should not do it that way.

What is your reaction to that?

Mr. CHASEN. I am enforcement-oriented and my own reaction is that if we were not to make examinations that we do make, that this country would provide an open conduit for smugglers, and I feel what the Secretary says has to be tempered—for example, the Department of Agriculture has to look at animal life coming in, or plant life, because we have had outbreaks of African swine fever and hoof and mouth and other diseases that have to be controlled.

Senator LONG. What the Secretary is talking about, as I understand it, is not the same thing you are talking about. He is talking about not opening the individual bags. Is that right, or not?

Mr. CHASEN. I am very familiar with what the Secretary is talking about. I have discussed it with him. He thinks that we should consider something like the European red-green system. When you come in, if you have nothing to declare, you just walk right through, and the Customs position is we are trying to establish a system now—we have it working in many ports—where we put the individual's name in the computer, where we check the name and if there is a negative check what we look at is what he is carrying by hand and then we do not look at the luggage; he can go right through.

That is what I favor, that concept.

Senator LONG. Are you doing that now?

Mr. CHASEN. Yes, sir. It is Customs Accelerated Passenger Inspection System.

Senator LONG. Is it in effect now? How long has it been in effect?

Mr. CHASEN. In many ports, in five or six ports. How long?

Mr. HANN. We have been experimenting with it for several years. It has just expanded within the last 2 years, to the major airports—implementation depends on the remodeling occurring at the airports. We have problems getting facilities at major airports.

Senator LONG. I came in at Baltimore awhile back. I had the experience—I am not complaining about it—I had the experience of waiting for the process of everybody going through. It took about 45 minutes to an hour to get through there. It is enough of a pain to get your bags off the plane and take care of that part of it. It seems to me if this accelerated inspection system is worth doing, you ought to be at it, not just talking about it. If it is worth doing, it should be done.

If you are not going to inspect those bags, then you ought to be able to get some help, some porters, if you have a bad back like I do; you ought to be able to get some help from the time the bag comes off the

airplane to the time it goes into the taxicab. You should be doing that, if you think that is how it should be done.

Mr. CHASEN. Traditionally the task of getting the passenger's bag expedited is the airline's job, and they generally handle it. As a matter of fact, one of the other concepts we have looked at, if you had come through Dulles, we have what we call Citizens' Bypass, and if you are a U.S. citizen, you walk directly to the Customs agent or officer who is there at the belt.

The problem is frequently, passenger airlines do not unload fast enough for Citizens' Bypass. But the job of getting the bag to your vehicle, in our opinion, is the job of the airlines, not the Customs Service.

Senator LONG. Now, it is my impression that there is some difficulty getting somebody to help you with your bags, until you get through the customs area from the time they get the baggage off the airplane, you haul those bags around until passed that customs area. Then you can get someone to help you.

Mr. CHASEN. Most airports, when you arrive, that I am familiar with, they have these carts there.

Senator LONG. If you are lucky enough to get one of them. There are never enough; that is my impression.

Mr. CHASEN. They are not customs' carts. They are a part of the facility. If we know where they are not enough carts, we will certainly use all our pressure to get more carts.

Senator LONG. It seems to me that if you are trying to move to a system that is more convenient to the citizens, what you ought to do is to have it so that when they come, somebody can help them with their bags, if they have a lot of baggage, from the moment the bag comes off the airplane and is put out there where the people can get at it, there should be someone available to help from that point to the point that they get through to the taxicab or the bus.

If you are not going to open the bag, they ought to go right on through.

How about the people coming into the country? What can be done about them? How long would you make the foreign visitor wait? The ordinary traveler coming to visit our country, how long would he have to wait to get into here?

Mr. CHASEN. Well, his name is processed through the computer—

Senator LONG. Processed through the computer. Is that when he gets here? Is that immediate, or while he is on his way here or after he arrives?

Mr. CHASEN. It is processed after he arrives. First he goes to the immigration where his status as a noncitizen is checked. Then he comes to Customs where he has to make his declaration. The question of citizenship or noncitizenship is evaluated by the Immigration Service, and the question of whether or not he has duty to pay or is carrying contraband is Customs' responsibility.

Part of the study on the so-called Border Management Agency was to make it more convenient for passengers by combining that which should be done under one agency.

Senator LONG. If the Hertz people and the Avis people can do it, know the people who are coming in and have the contract all made

out with the man's name on it, why cannot the Customs Service do that?

Mr. CHASEN. Later on today you will hear from my good friend, Jim Gorson, who will talk about preclearance. We do that at many, many ports that have been carefully selected. For example, in Montreal or in the Bahamas you get precleared before you get on the airplane, and we have people located there and when you get off the plane, you just walk off and that is done.

Senator LONG. That is when you have an American at the other end, an American office over there?

Mr. CHASEN. Yes.

Senator LONG. Why can you not work with the airlines so they can tell you who is coming over on the airplane, and if you are going to have to do anything about checking, rather than have them wait around, know it in advance? For example, flight 101 is coming in here; here is a list of all the people on there. If there is going to be someone with regard to whom there is going to be a problem, then separate all the rest of them out so that that one person has to wait when he comes in.

Mr. CHASEN. We have considered this very seriously and it is one of the suggestions we may adopt under certain circumstances, as you said. If the passport number and the individual's identification is forwarded to us and we can check it, that may be one way to expedite it. So, as you said earlier, the baggage can be sent right out to the dock.

Senator RIBICOFF. If the Senator would yield, Senator Long has made a very important point. You get on Pan Am, TWA, Air France, there is 6 or 7 hours from the time you get on that plane until the time you land in the United States. Can you not get a passenger list and manifest from the airlines sent down to you from the port of embarkation which gives you a 6 and 7-hour chance to go to the computer, and not wait until the person lands and goes through immigration to get it? I think that Senator Long makes a very important point.

Mr. CHASEN. I agree with the point he has made, and we have done this in the past, and a good many times the manifest is inaccurate as to names, as to passport numbers, but we are working with the airlines currently to see if we can get a manifest prior to the arrival of the aircraft.

Really, what we have done as far as the system is concerned to try to put in a red-green system, the only difference is our primary inspector makes a determination as to who should be inspected or not.

And approximately 80 percent of the people go through without examination.

Senator LONG. Up until recently, you always had to open at least one bag out there and the fellow has to push around trying to find something inside it. Is that still the case, or not?

Mr. HANN. We have to open the hand-carried luggage as per an agreement that we have with the Department of Agriculture.

Senator LONG. My impression was, when I came in, it was hand carried for one reason; the thing came off the airplane and there was not anyway to get it over to the customs place.

Mr. HANN. Purses or briefcases.

Senator LONG. Are we through, where the regular baggage, the stuff that weighs 40 pounds, that bag has to be opened any more? Are we through with that?

Mr. HANN. We are through with that unless there is some reason that it should be opened.

Senator LONG. That gets to point No. 2. I can understand why the information provided now might be inadequate, since it is not used for a significant purpose when somebody is coming here. But it is going to be significant when the people get over here if we say that if the information is accurate, they are going to go right on through customs. If the information is not accurate, they are going to have to wait. If that is the case, I would think that we could make it such so as to see to it that accurate information is provided. For our own citizens, we would want the social security number and I think that is all you would need to know to find out if that is an American citizen or if he has anything associated with him that would mean he could not be expedited on through. And if you had that, it seems to me that that is all you would need to know, and they ought to get that to you before the plane gets here.

Now, I think that at most of these stations, customs people do not have enough to do. They have some time on their hands before a plane comes in as often as not—maybe not at Kennedy, but at New Orleans they would, more often than not. They would sit and have some time on their hands waiting for a big plane to come in. While he does, he could check over those lists.

If they need people for it, they ought to provide them. I would think that we are going to need less people if they do not have to go through all of this baggage at the desk.

Mr. Hann, could you make some plans to come out 60 days from now to tell us what you can do about it?

Mr. HANN. Yes, sir. We will look into the advanced manifest from the airlines.

Senator LONG. Also, it seems to me if you are not going to open these bags, you should get that expedited procedure going, and when people come in, somebody could help them with their bags, they could pick them up and go on through, except for their briefcases and things of that sort.

Mr. CHASEN. I think that I have to say this, too, Senator. The people for example, in the Miami airport, the citizens, they would like to see us expedite passengers coming into Miami because it is a tourist city, but on the other hand, they do not want us to do it so fast that we do not do something about the flood of narcotics that are coming into that point.

Between 75 percent and 80 percent of the cocaine and heroin that comes into this country comes in through Miami.

Senator LONG. That is not in somebody's bag. That is flown in by airplanes, bringing it in by ships, bringing it in all kinds of ways.

Mr. CHASEN. The marihuana is coming in by plane, or by ship or by boat. The cocaine and the heroin, in my judgment, a good percentage of it could be in those bags that we may let go by too fast.

In all candor, as a father of two teenagers, I have to tell you that I am not too anxious—and this is how I personally feel—to let them come in too freely.

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On the other hand, we have to use common sense and good judgment. I think that what Vernon Hann was saying about our TECS machine and the skill and knowledge of our inspectors, which is considerable—most of them have been doing it for many years—and they can pick out the woman whose dress is too big, who might have something under it, or the man who might have some cocaine strapped to his knees. They are real experts.

So we kind of have to, in my opinion, do a certain amount of inspection for the good of this country.

Senator LONG. Well, that is all right, and I am not complaining about the person who should be searched, and I am assuming that there are those cases. I am just talking about the ones that there is no point in searching. There is very little chance that you are going to find something there, and there are people who should have expeditious service.

I want to ask about one other thing which has to do with the law. How many cartons of cigarettes can they bring in here without paying duty on it?

Mr. CHASEN. About 250 cigarettes.

Senator LONG. How many cartons is that?

Mr. CHASEN. About two cartons.

Senator LONG. If they have been out of the country more than 2 weeks, how much liquor can they bring in here?

Mr. CHASEN. One quart.

Senator LONG. Just 1 quart?

Mr. CHASEN. Yes, sir. That is duty free.

This is determined by the recent law, 95-410 which was just passed, the amount of liquor or cigarettes, or the amount of the duty level which is \$300 tax free.

Senator LONG. Two cartons of cigarettes and 1 quart of liquor. It seems to me that those two cartons of cigarettes are too much, unless you want to subsidize that type of thing, but it seems to me as though it might ease the burden if we reduce the amount of cigarettes that they can bring here tax exempt.

It is such a big savings that people tend to feel that they cannot afford not to bring it in, and my reaction is, why do that? What is the point in it?

You have to administer the law. What is your opinion?

Mr. CHASEN. As a nonsmoker, I would make it as difficult as possible, but I think it is not within our judgment. This was as I say, enacted by statute, and I personally would like to see less cigarettes coming in, sir.

Senator LONG. My thought is two cartons is too much; one would be tops. Thank you very much.

Mr. CHASEN. My colleagues advise me that it is 200 cigarettes, which is only one carton.

Senator RUBINOFF. You know, last year this committee asked GAO to study the whole problem of passenger clearance. They are supposed to be working with you, and we are supposed to receive that report by September 1, 1979. Is GAO going to be on time with that? I am assuming that you have been working with GAO and I think it is important some time when that report comes in to have another meeting

of this committee with you and GAO, Bob, keep that in mind, to see how you proceed.

Now, I am just wondering, one of the problems, apparently, is the airlines scheduling, that you suddenly find that practically all airlines coming from certain designated areas come in at about the same time, so you have all this congestion at one time. Now, I suppose from a competitive standpoint they all want to leave at a certain time and all arrive at a certain time for the convenience of the passengers, but that puts a great burden upon the convenience of the passengers when they get here.

Do you think it is possible to work some scheduling problems out with all the airlines that come into a certain airfield, or not?

Mr. CHASEN. My own feeling is that while I know that if the airlines would change their scheduling practices it would be very helpful to us, but as a former businessman—and I have initiated kind of regular meetings with the Air Transport Association—they say they know their business and they believe that it is essential to their economic survival to schedule just the way they are scheduling.

We try to work with them. We meet with them, and we try to resolve these problems. We also—this Friday we are have a meeting with the CAB so that we can anticipate new schedulings so that we can array our manpower more efficiently. So we are trying to work on this problem.

Senator RIBICOFF. But, as Senator Long indicates, and you say, they have the responsibility for the porters' service and not you, and that if this is how the airlines are going to set their flight schedules, then they have got the responsibility to supply enough porters to handle the luggage to expedite putting them on the tables and belts to come through customs.

Mr. CHASEN. I would say it is more frequently the airport management and the airlines that are involved with the portage.

Senator RIBICOFF. I note from my own personal experience that it is a pleasure to come into Dulles. Dulles seems to know how to facilitate passengers coming in and out, and I know many people now who have to make connections across the country come into Dulles and then transship from Dulles instead of going to other ports of entry.

Now, is it the way the Dulles Airport is arranged that makes Dulles an easier place to come in and out of?

Mr. CHASEN. Well, we do try to use Dulles as a sort of a model, and we are also using Philadelphia because it is close by. I have been there quite a few times myself to watch the flow. But there are some other airports that—for example, Seattle, which are a pleasure to come into.

The problem areas are primarily Miami, Los Angeles, and New York. With the exception of New York, particularly with Miami and Los Angeles, it is what I consider inadequate forward planning by the local authorities to anticipate the great increased flow of traffic and to provide adequate facilities that have caused the greatest problems.

Senator RIBICOFF. Well, I think we look forward with anticipation to the recommendations of the GAO and yourself as to what ought to be done, and I hope that this GAO report will find action instead of just being filed away to gather dust, because this is a concern and we all received so many complaints from constituents and we see ourselves how tough it is. I know it is a very, very difficult job, but the pre-

clearance concept is a very good one, and I think that ought to be expanded.

Senator Dole, do you have any questions?

Senator DOLE. Thank you.

I have listened with interest to the comments. I would only ask a couple of brief questions. One is in reference to our work on an MTN agreement. Will that add, as you understand the agreement, additional responsibilities to the Customs Service, and will it require additional funds to carry out those responsibilities?

Mr. CHASEN. From what we know, it would involve some changes in our tariff schedules which we think we can handle within resources allocated to us, but what we do not know, at this point, is what might involve additional resources.

The principal area where we—and I mentioned this earlier—where we do not know for sure is particularly in the countervailing duty area and possibly some in the antidumping.

Senator DOLE. You are attempting to improve the method by which you collect antidumping duties?

Mr. CHASEN. Yes, sir.

Senator DOLE. Was that touched upon in your statement?

Mr. CHASEN. I indicated that we have just completed a major study which very shortly we will be discussing with this committee because we believe a new and speedier approach is needed and we have some very firm recommendations to make.

Senator DOLE. Did you address specifically the problem of collection of antidumping duties on TV sets from Japan?

Mr. CHASEN. No, we do not—in a sense, we do. It is not specifically addressed, but that case which is over 10 years old, is a classic example of how not to enforce the antidumping laws.

Senator DOLE. Do you have recommendations in that area?

Mr. CHASEN. Yes, sir. That is a good example of how not to do it, and we think we have some good ideas on how it should be done.

Senator RIBICOFF. I think that is all, but I think that the next two witnesses may have critical testimony concerning your organization and you might want to stay around. We might want to ask you a question as a result of their testimony.

Mr. CHASEN. Yes, sir.

Senator LONG. Let me just mention this one thing. Only a small portion of aircraft illegally entering the United States are being intercepted and inspected. Now, that is very important, it seems to me. Is it your job to try to catch those airplanes illegally entering the United States?

Mr. CHASEN. I came to the Government service from the aerospace and electronics industry and I was very interested in the problem of why so many aircraft can illegally enter our air space in spite of all the surveillance systems that are set up.

We have made—and it is almost completed—we have had made for us by a consultant at the Stanford Research Institute a threat study. They have analyzed what kind of planes come in, where they come from and the data that will be given us. When we receive this study shortly it will enable us to decide what counter measures are necessary.

The most significant thing that we have done so far is to work out an agreement with the Air Force to use AWACS, the airborne warn-

ing and control system, and we actually recently in a test were able to spot a plane coming up from Colombia and to catch it on the ground with 1,500 pounds of marihuana. We hope that between better radar, better radar support, and better aircraft and the scientific results and analysis of this threat study, we think we will be able to do a better job.

Senator LONG. I certainly hope that we can stop all this illegal stuff coming in. It is my impression that that is where most of your marihuana and your heroin is coming through, not people sneaking it through in their bags, cheating going through Customs, but bringing it in in airplanes and bringing it in in boats where they are bringing in large amounts of it at one time.

Mr. CHASEN. Well, the marihuana comes in by air and boat. One person can carry \$10 million worth of heroin in, sometimes concealed in body cavities and if we have previous information we will make an X-ray, with a physician present, make an X-ray or a fluoroscope and have a physician extricate these.

Many people have died when these concealed caches of heroin exploded internally.

Senator LONG. Thank you very much.

Senator RIBICOFF. Thank you very much.

Our next witness is Mr. Vincent Connery and we have allocated 10 minutes for your formal presentation. Your entire statement, Mr. Connery, will be inserted in the record as if read.

STATEMENT OF VINCENT L. CONNERY, PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION

Mr. CONNERY. Thank you very much, Mr. Chairman.

I am Vincent L. Connery, national president of the National Treasury Employees Union. NTEU is the exclusive representative of over 115,000 Federal workers including every employee of the U.S. Customs Service worldwide.

Senator RIBICOFF. Is that the number of Customs employees there are, 115,000?

Mr. CONNERY. No, sir. We represent, in addition to the U.S. Customs Service, substantially all the employees of the U.S. Treasury Department, including the Internal Revenue Service.

Senator RIBICOFF. How many Customs employees do you represent?

Mr. CONNERY. There are some 14,000 Customs employees of which approximately 11,000 are what they call bargaining unit, nonsupervisory employees, represented by our union.

Mr. Chairman, we are here today to express our concern and the concern of all Customs workers over the rapidly increasing difficulties encountered by the U.S. Customs Service in carrying out its mission. The major reason why Customs is facing such problems, in our opinion, is the severe lack of adequate personnel and funds needed to maintain the strong enforcement and revenue collecting effort. We have prepared a detailed statement which provides numerous examples of how this shortage of funds, combined with the policies being proposed by Customs officials themselves, are hampering the ability of Customs employees to perform their duties. We ask that this statement be included in the record at this time.

Senator RIBICOFF. Without objection.

Mr. CONNERY. We believe that it is unrealistic and unwise for Congress and the administration to expect Customs to fulfill its responsibilities with the limited funds set forth in the fiscal 1980 budget. The U.S. Customs Service is charged with enforcing over 400 different laws and regulations for over 40 Federal agencies. Among these are statutes governing the interdiction of contraband and the collection of revenue on dutiable goods imported into the United States.

Congress also enforces antidumping laws and statutes governing quotas on specified imported products.

Despite this, the President's fiscal year 1980 budget proposes only a \$4 million increase for Customs and a reduction in staffing by 409 employees including 254 inspectors. According to a report by the Ways and Means Committee, however, this funding level translates into a real loss of \$34 to \$39 million to Customs due to the effects of inflation.

We believe our country can ill afford any curtailment in the critically important activities of the Customs Service.

For example, as a result of the rapidly expanding use of narcotics and dangerous drugs in our country over the last two decades, the role of Customs in interdicting these substances has taken on greatly expanded significance. This increased responsibility is due to the fact that virtually all the drugs used in this country originated outside the United States. Since nearly all passengers and cargo entering the United States must be cleared by Customs, a strong enforcement capability depends on the maintenance of a well-trained and adequate staff inspectional work force.

It is no exaggeration to say that the U.S. Customs Inspector is the first line defense against the illegal importation of drugs and other contraband. In light of the epidemic proportions of the drug problem in this country and the untold suffering it has caused to millions of Americans, we find it abominable that the administration expresses such seeming unconcern over this vital link in our defense against narcotics.

We are also greatly concerned over the policies now being proposed and, in some cases, implemented by the Commissioner of Customs and his aides which undercut the traditionally strong enforcement posture which Customs has sought to maintain over the years.

Under various policy proposals, the Commissioner would introduce practices wherein incoming passengers do not even have to clear Customs unless they declare they have dutiable merchandise, where private yachts need only report in via telephone to an Inspector, where Customs would no longer supervise the gaging of oil and other substances, and where certain cargo is allowed to enter this country unchecked. These policies and their effects are outlined in detail in our full statement.

We are concerned that the net result of the Commissioner's proposals would be to bring the U.S. Customs Service closer to its counterparts in Great Britain and other European nations. In these countries, importers and travelers are virtually on an honor system whereby citizens of the country being entered escape inspection entirely if they declare they have nothing dutiable, and if the Inspector has no reason to suspect that such is the case.

Given the nature of the U.S. Customs Service and its traditionally enforcement posture, we believe that this Nation cannot afford to move in the direction of the European system.

In summary, we believe that there is an abundance of evidence which indicates that Customs is increasingly unable to perform its mission as a revenue producing and law enforcement agency. Rather than seeking to upgrade the service, this administration is proposing policies which will move Customs away from its traditional role and toward the creation of a virtual "honor system." We believe that this is wrong and is not in the best interest of our country.

If Customs is to maintain its ability to interdict narcotics, enforce trade and quota laws, and collect revenue, the agency must be granted sufficient resources to fulfill its mission. We urge the committee to do everything in its power to provide Customs with sufficient funds and increase the number of inspectors in the fiscal year 1980 budget so that this agency will be able to truly meet its many important responsibilities.

Senator RIBICOFF. Thank you, Mr. Connery.

Is it your contention that the problems of entry in the United States are different than those of entry into the European ports?

Mr. CONNERY. That the problem is different?

Senator RIBICOFF. The problems are different.

Mr. CONNERY. I am not familiar with the European system.

Senator RIBICOFF. Do you believe the European system would not work in the United States? Why?

Mr. CONNERY. I am told that the employees of the Customs Services overseas, for example, Great Britain, have recently engaged in job actions due to the situation caused by this particular system, and that England is awash in drugs caused by this system. I believe that the United States is rapidly approaching that situation caused by a de facto implementation of this system.

Senator RIBICOFF. What do you contend should be done to get a larger amount of drugs confiscated or exposed than what is being done presently?

Mr. CONNERY. There has to be a fundamental recognition on the part of the policymaking authority that this is an important national goal. Second, in furtherance of that national goal, the Customs Service should be staffed so that the people engaged in the illegal activities do not know that the single line of blue Customs inspectors is so thin that it is absolutely gossamer and can be penetrated at will.

For example, Commissioner Chasen's regional Commissioner in Miami was interviewed publicly on CBS' "60 Minutes" program just very recently. And Mr. Battard, the Regional Commissioner from Miami, stated that less than 5 percent of the drugs entering his area are being interdicted.

He indicated the same thing I am saying, and that everybody else that I know who is familiar with this problem other than the administration is saying, namely, that the Customs Service does not have anywhere near the personnel that they need to do the basic job.

It is estimated by many people that Customs would need a 40 to 50 percent increase in the personnel. Trade, containerized cargo, passengers, everything is increasing at a significant rate. It is anticipated, according to administration figures, that they expect a 7 to 10 percent or more increase in passenger travel. In addition, they expect a considerably greater increase in containerized cargo. Yet they propose

decreasing by 5 percent the number of inspectors, and we do not understand that at all.

Senator LONG. May I ask you this? I saw that program you are talking about. As I recall, what struck me about it was a huge amount was coming by flying in whole airplane loads. That is not something going through Customs; that is not coming into an airport, passing through any kind of thing. It is a whole airplane load being landed somewhere in the interior.

We saw something about a ship out at sea where they were just putting bales of marihuana and stuff on smaller boats and bringing it to shore. That is entirely a different thing from the case where someone comes in with the baggage off of a ship, an ordinary passenger on a pleasure cruise, or someone comes from an airplane.

Was there anything on that program about people bringing drugs in their baggage on an airplane?

Mr. CONNERY. I do not recall hearing that at all.

Senator LONG. My impression is if this were a big item they would have shown something about it. I did not hear anything about it coming in bags, the baggage of the commercial airline traveler; what they had shown on that program was people flying in whole airplane loads.

Mr. CONNERY. There was a certain allusion by the regional commissioner, Senator, to the fact that, in addition to what you are talking about, there was a considerable amount coming in by body carrier.

In connection with that, the Customs Service once again estimates that, for cruise ship inspection, a 15 to 1 ratio between travelers and inspectors is adequate for enforcement. For airports, the ratio is 20 to 1.

We can clearly show that this is ignored. It runs as high as 50 to 1 and more at airports in Miami, New York, Los Angeles and others. There have been numerous occasions, I have been told, where older people have just literally passed out on the floor while waiting in these hot lines. Sometimes, Customs officials clear everybody out, just waves them right on through. They do this frequently, I am told, when these lines back up because they do not have the personnel. Yet, Customs does not ask for the personnel; they never ask anybody for any personnel year after year. They come up to the Hill and say they have to enforce 400 laws for 40 different agencies, but they never ask for any additional help.

I have been here in this town for a few years representing our union and I cannot recall the last time a U.S. Customs Service Commissioner ever testified and asked for more people.

Senator LONG. Let me ask you, how would you do it? If you were handling this at the point of entry, say Miami, a hot port, a lot of things coming through. How many of those bags—say the average person comes in with three bags—how many bags would you check?

Let's assume you have 10,000 people coming through. How many of those people do you think should have every bag checked carefully to see if you can find something?

Mr. CONNERY. I am a poor person to ask that because I do not have any direct experience in the Customs effort. I am an internal revenue agent myself. That is where I spent my career.

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I know that as the Commissioner previously indicated, these Customs inspectors are very impressively trained and capable of seeing what they call in police circles "clonky" situations, things that should be investigated, things that should be looked at a second time.

I would think, offhand, that a much lesser sample than one out of three would be necessary. Based on a theory of sampling as used, in, say, accounting, one out of three would be a heavy search.

Senator LONG. One out of three would be more than I would be searching, if I were him.

Mr. CONNERY. I do not think that they would possibly do what you mention in Miami. The thing would back up and explode if they were trying to do that much. They just could not handle it.

Actually, their own records show that enforcement is deteriorating. They are down almost 25 percent from last year in seizures, such as the heroin and cocaine body carriers and so forth. They are down over 25 percent because this staff is being ignored.

Senator LONG. The thought that occurs to me is that if, lets say, only 5 percent of it is coming through that way and 95 percent of it is coming via a whole airplane load at a time, there is not that much potential in slowing it down by increasing the searches of bags.

Mr. CONNERY. They do not have the capability of catching it in any direction because, for example, I am told that their aircraft are grounded because they do not have the parts and they do not have the upkeep necessary to keep them flying. Also, down in the border areas, Texas, Arizona and so forth, the Customs patrol officers were grounded in their cars because of a lack of fuel, money to operate the cars.

The system is coming apart at the seams, and this is creating a tremendous morale problem with the work force. I heard the question raised about the consideration Customs regions and reorganization and so forth. Well, I was terribly surprised that the Customs Service did not know, in answer to Senator Ribicoff's question, which regions were under consideration. We have been told of the nine Customs regions, three had been recommended for elimination, and those three are Baltimore, New Orleans, and Los Angeles, that is Customs region three, Customs region five and Customs region seven.

We do not interject into questions of management or where a regional commissioner is located, but the fact is that it is very distressing that neither the administration or the Customs Service seems to be concerned. I was heartened by Commissioner Chasen's statement that he was an enforcement-oriented person, but this is very little to indicate that anybody else over there is, particularly in the administration.

This country is just awash in drugs and it is very evident where it is coming in. Nothing, absolutely nothing, is being done about it.

They talked until they turned blue in the face about all kinds of studies they are always making, and all kinds of electronic solutions that they are up to, but none of these things ever come to pass.

What we would like to know is what is happening now that these lines are backing up, and we are coming into another big tourist season and so forth. They are not adding anybody. In fact, they are subtracting people.

So the situation can only get worse.

Senator LONG. Thank you.

[The prepared statement of Mr. Connery follows:]

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STATEMENT OF VINCENT L. CONNERY, NATIONAL PRESIDENT, NATIONAL TREASURY
EMPLOYEES UNION

I am Vincent L. Connery, National President of the National Treasury Employees Union. NTEU is the exclusive representative of over 115,000 Federal workers, including every employee in the U.S. Customs Service worldwide.

Mr. Chairman, we are here today to express our concern and the concern of all Customs employees over the rapidly increasing difficulties encountered by that agency in carrying out its mission. The major reason why Customs is facing such problems is the severe lack of adequate personnel and funds needed to maintain a strong enforcement effort.

In its report on the fiscal year 1980 appropriations for Customs, the House Committee on Ways and Means recognized the seriousness of the current staffing shortages. The Committee noted that Customs will inspect fully only about 1 percent of all containerized shipments, despite the findings of the General Accounting Office that increased inspection would result in significant increases in revenues.

The report also recognized that Customs is presently able to intercept and inspect only a small proportion of the aircraft illegally entering the U.S., many of which carry narcotics and other contraband. Most importantly, the Ways and Means Committee reiterated the fact that Customs activities bring in revenue at a minimum of 5 to 7 times their cost. In past years when Customs was able to maintain a stronger enforcement and revenue-collecting capability, the figure was as high as 18 dollars of revenue obtained for each dollar of appropriations.

Despite these factors, the Ways and Means Committee did not recommend any increase over the President's fiscal year 1980 budget request for Customs. This means that the agency will receive a mere \$4 million increase in the fiscal year 1979 appropriations which, due to inflation, will result in a "real" reduction in funds of between \$34 and \$39 million. In addition, Customs staff will be reduced by 409 employees, including 254 Inspectors.

We believe it is unrealistic and unwise for Congress and the President to expect Customs to maintain an adequate enforcement and revenue-collecting effort with the limited funds proposed in the budget for fiscal year 1980. Given the extreme importance of Customs as an enforcement and revenue-producing agency, we believe that the appropriation of more monies is absolutely vital if the Service is to fulfill its mission.

The U.S. Customs Service is vested with the responsibility for enforcing over 400 different laws and regulations for 40 Federal agencies. Among the numerous statutes which Customs enforces are those governing the interdiction of contraband and the collection of revenue on dutiable goods imported into the United States. Customs also enforces antidumping laws and statutes governing quotas on specified imported products.

As a result of the rapidly increasing use of narcotics and dangerous drugs in our country over the last two decades, the role of Customs in interdicting these substances has taken on greatly expanded significance. This increased responsibility is due to the fact that most of the drugs used in this country originate outside the United States.

Traditionally, the U.S. Customs Service has consistently strived to maintain the strongest enforcement effort possible in the performance of its mission. Since virtually all passengers and cargo must be cleared through a Customs Inspector, a strong enforcement and revenue-collecting capability depends upon the maintenance of a well trained and adequately staffed inspectional work force. It is no exaggeration to say that the U.S. Customs Inspector is the first line defense against the illegal importation of drugs and other contraband.

We are greatly concerned, however, that the traditionally strong enforcement posture of the U.S. Customs Service is being steadily eroded by the inadequate budget requests of the present Administration. In addition, this dilution in enforcement has manifested itself in new policy directives and attitudes of top officials of the U.S. Customs Service.

On repeated occasions, Commissioner Robert E. Chasen and his top aides have, privately and publicly, made statements which imply that they would rather forego small drug seizures on the collection of some revenue than receive a letter of complaint from a traveler. These assertions indicate the Commissioner's apparent belief that the expedited clearance of passengers and cargo is more important than interdiction of narcotics and other contraband.

The clear implication—and we believe the clear intent—of these policies and statements by Customs officials is to pattern the Service after its counterparts in

Great Britain and other European nations. In those countries, reliance is placed almost completely on an "honor system" in which arriving travelers who are citizens of the country being entered escape customs inspection entirely if they declare they have no dutiable items and if the customs official has no reason to suspect that a search is necessary.

In a recent article in the London Daily Telegraph, however, British inspectors at Heathrow International Airport stated their belief that the English system was facilitating the importation of drugs worth millions of pounds. Given the nature of the drug problem in the U.S., we believe that our country can ill afford to adopt this system.

Even under the present conditions, this erosion in the enforcement of drug laws is already well under way. In the last five years, the workload of the Customs Service has increased an average of 7 percent each year. The number of international travelers in January 1979 alone was 15 percent above the level in January 1978. With airline deregulation and increased commerce between the United States and other nations, there is no reason to believe the present level of travel will decrease in the near future.

Despite this rise in travel and workload, the Customs Service has failed to correspondingly increase its inspectional work force. Customs headquarters has set a passenger-to-Inspector ratio of 15 to 1 as the most effective for processing cruise ship passengers while maintaining an adequate enforcement effort. For airline passengers, the ratio is 20 to 1.

A look at the passenger-to-Inspector ratio at several major airports and seaports shows that Customs is staffed far below its own standards. At John F. Kennedy International Airport in New York, through which as many as 25,000 international travelers may pass in a single day, the ratio is as high as 50 to 1; at Miami, which has processed as many as 10,000 passengers a day, the ratio is 40 to 1 normally, but rises significantly during peak periods. In the Los Angeles International Airport, the ratio is 40 to 1, but this figure does not include those passengers who can be kept waiting for as long as two hours on their planes because of the limited size of the Customs facility at the airport. At the Miami Seaport, the nation's busiest cruise ship port, the ratio is also 40 to 1.

Given these disproportionate figures, it is not surprising that enforcement is suffering. During the first full year of Commissioner Chasen's tenure, despite the rise in international travel, Customs made only 179 heroin seizures valued at \$86,823,141. In the previous year, 245 heroin seizures were made at an estimated value of \$124,705,072. All in all, the total number of seizures during the same period fell from 24,665 to 21,738. These figures represent only the tip of the drug iceberg. In fact, Robert Battard, Regional Commissioner of the Customs region which includes the Southeast portion of the United States, admitted on a recent edition of the CBS news program "60 Minutes" that he believes only 5 or 6 percent of the drugs entering this country are actually seized.

In the face of this deteriorating enforcement effort, the Administration's proposed budget will further weaken the U.S. Customs service. The elimination of 254 Inspectors represents a reduction of slightly over 5 percent of the total inspectional force. As the Ways and Means Committee noted in its report, "The result [of these cutbacks] is that the Customs Service, which is faced with an increasing workload, will be stretched thin in the coming months." This will only further diminish the effectiveness of Customs' efforts to interdict narcotics and fulfill its revenue-collecting functions.

Besides these significant reductions in personnel, the Commissioner and his aides have also mandated a number of policy changes in airports and seaports which will reduce the effectiveness of Customs as an enforcement and revenue-collecting agency. For example, the Miami Seaport, which receives numerous travelers from the Caribbean and South America, is one of the key entry points for drug smugglers. Yet, the agency recently instituted at this port a modified Vessel Passenger Accelerated Clearance System (VPACS) which closely resembles the British system.

Under the VPACS system, passengers entering the country on cruise ships would be required to report to Customs only if they have merchandise in excess of their Customs allowances, agricultural products, or boarded the vessel at other than the port of Miami. All other passengers would be routed en masse through the inspection area, where they would be observed only by a few Inspectors milling throughout the crowd. These Inspectors would be responsible for detaining anyone they deemed suspicious.

Under this system, however, individual inspections would be eliminated, and with them the Inspector's ability to deal individually with each passenger and

to ask those questions and make those observations which lead to the interdiction of narcotics and other contraband

Another more drastic step toward the creation of an honors system is the recently proposed Manual Transmittal on yacht boardings. At present, every yacht arriving from a foreign destination is subject to a physical boarding by an Inspector. In Region IV, it is now being proposed that a telephone reporting system be substituted for the physical boarding.

Under this procedure, pleasure boats and yachts would dock at a marina and call a toll free number to report their arrival. An Inspector stationed at the Miami International Airport would handle all calls and ask certain questions. Based on these questions, the Inspector would determine, sight unseen, if a physical boarding were necessary.

Obviously, the intent of the Manual Transmittal is to eliminate the need for a physical boarding. The potential for abuse under this system is enormous and the incentive provided to smugglers is considerable. If a smuggler entered U.S. waters with a yacht full of cocaine, he or she could escape even routine inspection by lying over the telephone and without personal contact the Inspector would have no way of detecting the truth. This new procedure could result in a dramatic increase in drugs entering this country, as well as a substantial loss of revenue.

Similar procedures have also been implemented for cargo inspection. It should be remembered that while passenger clearance accounts for a large number of drug seizures, many of the most sizable and significant interdictions are made during the examination of cargo. One of the most potentially harmful changes in policy adopted by Commissioner Chasen is the Accelerated Cargo Clearance and Entry Processing Test (ACCEPT) program.

Under the ACCEPT program, selected importers with "good" compliance records are allowed to enter certain shipments without benefit of examination. This experiment has already been implemented in the Buffalo, Houston and Philadelphia Districts and is being proposed in Miami.

We view the ACCEPT program as another step closer to the "honor system" of customs clearance. Even though the selected importer may have a good past record, successful law enforcement cannot be predicated on assumptions that compliance will continue at a high level. In addition, if only a few of the future companies certified for the ACCEPT clearance program prove to be dishonest, the loss of revenue and the potential for importing drugs and other contraband will be great. In Buffalo, for example, Customs estimates that 25 to 30 percent of the importation at the designated entry points will be exempt from the examination. We believe that this percentage of cargo to be waved through is unacceptably high and will seriously affect enforcement.

In announcing the ACCEPT program, Customs management emphasized that enforcement responsibilities have not been decreased. This, however, is wishful thinking on their part. Under ACCEPT, Inspectors will be instructed to clear certain cargo with no check whatsoever, yet they will be held responsible if any contraband is not intercepted. In Buffalo, the names of the selected importers have become common knowledge and there is nothing to prevent a dishonest importer from placing contraband in the shipments of the honest importer. Common sense dictates that increased smuggling under this program is virtually guaranteed.

Procedures to limit the inspection of cargo could be especially damaging given the sheer volume of cargo processed by Customs. According to official statistics, Customs processed cargo valued at \$175.8 billion in 1978 or more than 10 times the volume cleared in 1958. But while Customs' responsibilities have increased tremendously in this area, its resources and staffing have not. As a result, the opportunities for smuggling drugs and other contraband into the country have risen dramatically.

Much of the cargo arriving in the U.S. today is containerized. Due to personnel shortages, however, Inspectors in many cases can only give cursory examination to containers. If, for example, 10 containers arrive, all supposedly filled with textile products, the Inspector is usually forced by time constraints to examine only one in a very cursory fashion. If that one container checks out, the entire shipment is cleared even if the rest of the containers are filled with heroin or other contraband. One Inspector in Miami reports that the workload there is so heavy that management has at times ordered that cargo be processed solely on the basis of the manifest declaration with no visual inspection whatsoever.

Despite these problems, Commissioner Chasen has not made any significant attempt to increase the inspectional work force. Rather, through various policy

directives, he is seeking to introduce procedures which he claims are designed to "increase efficiency" but which will, in reality, further weaken enforcement and revenue collection. One of these proposed policies deals with a system known as "general supervision."

Currently, on overtime assignments, one Inspector will be assigned to each plane or ship arriving or unloading cargo. This allows the Inspector to examine crew members, witness the unloading of the merchandise, and inspect goods for immediate clearance with a greater degree of thoroughness. Under "general supervision," however, an Inspector could be responsible for clearing three or more vessels simultaneously.

In internal documents, setting forth the rationale behind "general supervision," Customs officials have argued vaguely that the policy is meant to save money—primarily overtime costs—by eliminating those situations where ". . . in some locations we will have three Inspectors supervising unloading at three different ships tied stern to stern." This argument flies in the face of reality. First of all, these overtime costs are not paid by the U.S. government, but are reimbursable. In Newark, for example, 89 percent of overtime costs were paid by the carriers.

In addition, because of safety reasons and ease of unloading, ships are rarely tied stern to stern, but rather are docked as far apart as space permits. At some of the larger ports, there are piers, each a mile or so long. If two or three ships are docked separately, the distance between them is considerable. For example, Dodge Island, the cruise ship terminal in the port of Miami, and one of the busiest in the nation, can handle 50 ships at peak periods. However, in most cases, it is not uncommon to have a distance of a mile separating individual ships during unloading. To expect Inspectors to maintain any effective degree of enforcement under a system of "general supervision" is absurd.

Not only will the Inspector be unable to perform his/her job under this system, but the possibilities for bringing drugs and other contraband into this country and the loss of revenue are endless. While an Inspector is supervising the unloading of one aircraft or ship, containers from another could be opened and contraband could be removed or the entire container could be driven away into the night.

In addition, it would be a simple matter for the crew members of a ship, for example, to pass along contraband to an accomplice while they are waiting for an Inspector to finish examining the personnel of another vessel. What is now a steady flow of illegal drugs and merchandise into this country could well become a tidal wave under a system of "general supervision."

Customs Inspectors charged with the responsibility for witnessing the unloading of cargo also perform another important function—gathering the data needed to determine the amount of goods entering this country under "import quotas." With "general supervision," however, there will be no effective check whatsoever on the inflow of "quota" goods.

Without an Inspector to watch the unloading of textiles, shoes, steel, or sugar, the only recordations will be those of the carrier or importer, parties who could have an inherent conflict of interest in reporting accurate figures. Since no one would be present to protect the public interest during this process, the elimination of Customs Inspectors would have an adverse impact on a large segment of the American economy and labor force.

The Commissioner is also proposing changes in policy which will hinder effective enforcement at the nation's airports as well. As we have explained, passenger-to-Inspector ratios as defined by the Customs Service are already well above the standard needed for prompt processing and efficient enforcement of the law. The negative impact on the public has been tremendous.

For example, according to the Deputy Director for the Miami International Airport, Brian A. Richardson, "Even if we were able to staff our counters fully at the rate of 30 passengers to one Inspector an hour—standard processing time per passenger is two minutes once he reaches an Inspector—our maximum capacity is 720 passengers an hour at the Miami facility. But we frequently get 1,300 and 1,400 passengers an hour. What this means is that we have to make the passengers wait longer or speed up our process to move the passengers faster. We always opt for the latter or else the complaints would be so bad there would be a Congressional investigation."

Furthermore, Richardson admitted, sometimes the jams present such health problems to fatigued travelers that inspections have been suspended entirely to unclog the airport. On one occasion, an elderly woman had a heart attack while in the Customs area and the press of passengers was so great it took five minutes merely to clear a path to reach her.

In light of this growing problem, it is not surprising that enforcement is on the decline. At JFK International Airport, management has implemented procedures to hasten the clearance of passengers without regard to enforcement or revenue collection. Under these policies, passengers are literally flagged through with little or no inspection. Inspectors trying to conduct any kind of thorough examination have been berated by management. As an Inspector put it, "Expedite is the key word."

This attitude by management extends to the processing of cargo as well. At JFK, the workload, lack of staff and pressure from managers have prevented Inspectors from supervising the breakdown of cargo arriving in containers. As a result, cargo is being cleared on the basis of manifests which are never verified for accuracy by Inspectors.

Under these circumstances, as one Inspector said, "There is tremendous potential for fraud and smuggling of narcotics because everyone in the container station business knows that the Inspector is kept too busy releasing the freight the station operators want him to see, to examine the freight they don't want him to see." At JFK and in other airports, operators are even permitted by Customs management to transfer and break down freight without Customs supervision.

These measures decrease the ability of the Customs Inspector to successfully interdict the flow of dangerous drugs at a time when the evidence is mounting that ongoing significant drug traffic is a fact of life at major airports. Even with the present staff shortages in Miami, Customs in the month of January alone arrested 137 travelers carrying cocaine, 602 with marijuana and 37 with hashish. These drug arrests according to U.S. Customs officials were only for possession of significant quantities of illegal substances and do not include individuals momentarily detained but not charged with possession of small amounts of marijuana. If, as Regional Commissioner Battard maintains, these seizures represent only 5 percent of all narcotics entering this country, to decrease enforcement efforts provides encouragement to smugglers and constitutes an abrogation of Customs' responsibility under the laws to interdict narcotics.

Customs officials have claimed that many of their policy changes will not harm enforcement because they intend to cope with the reduced number of Inspectors in two ways. The first is by using Customs Patrol Officers to supplement the inspectional workforce and second, by removing the Inspectors from day-to-day supervision of the gauging of petroleum and other liquefied products. These "stop gap" solutions, however, will not be effective.

Customs Patrol Officers (CPO's) perform duties quite different from Inspectors. Their primary function is to conduct surveillance and interception procedures along U.S. borders at non-entry points. CPO's do not receive the same training as Inspectors, nor are they required to enforce the same number and variety of statutes. In addition, since there is a hiring freeze now in effect for CPO positions, it is highly unrealistic to expect these employees to be able to fill the void left by the decrease in Inspectors.

Perhaps the most irresponsible procedure proposed by the Commissioner is that which would virtually eliminate the presence of a Customs Inspector during the gauging of imported petroleum and other liquefied products. Solely on the pretext of reducing overtime costs, the Commissioner is seeking to implement a policy which would have an adverse effect on the lives of most Americans despite the results of a recent internal report prepared by Customs which cited the necessity of maintaining the gauging function of Inspectors.

Under the present system, the Customs Inspector supervises the gauging of oil and other liquefied products such as raw sugar as they are unloaded from ships into storage tanks. In this manner, the Inspector can certify the amount of oil and sugar entering our country and assess the proper duties.

Under the proposed new policy, however, the Inspector will no longer be present to gauge these products. Instead, the gauging function will be performed by licensed public gauging firms who are under contract to the oil or sugar companies and there will be no Federal officer present to confirm their calculations. The Customs Inspector will be forced to simply rely upon the public gaugers' determinations in assessing the duties on oil and sugar.

Once again, the possibilities of fraud are great and the loss of revenue to the Federal government could be substantial. In effect, the proposed policy gives the oil and sugar companies the ability to police themselves with every incentive to shave their reports so that it appears that less oil and sugar are entering our country than are actually being imported. In the case of sugar, which is under

an import quota, the elimination of the Inspector's gauging function could have a severe adverse impact on the domestic sugar beet industry.

The reliance upon public gaugers to provide accurate information is not only unwise but irresponsible for several reasons. First, though gauging firms are licensed by Customs headquarters, the license is granted to the companies, not to specific gaugers. Many of the individuals hired by these companies to work as gaugers receive only the minimum wage, and have minimal education. These workers are commonly regarded as being at the "lower end of the labor market." To rely upon them, instead of trained Federal officers, to perform such an important function as gauging is absurd.

Secondly, the sheer volume of imported oil makes it a major source of Customs revenue. In the port of Chester, Pennsylvania alone, which is one of the major oil importing ports in the country, Customs collected a total of \$23,054,122 in revenue over a recent twelve-month period. During that time, the cost of inspectional overtime was only \$79,322, virtually all of which was reimbursed to the Government. Clearly, it makes no sense to threaten the collection of millions of dollars of revenue merely to save the carriers a few thousand dollars.

Finally, just this week the OPEC nations announced yet another drastic increase in the price of crude oil. At a time when our nation is striving to develop a rational energy policy which reduces our dependence on foreign oil, it is absolutely incredible that the Federal agency charged with monitoring the importation of oil should be reducing its enforcement efforts in this critically important area.

In addition to significantly reducing the enforcement capability of Customs, the Commissioner is now seeking to reduce the overtime worked by Inspectors. To support his position the Commissioner and other agency officials often refer to Inspectors such as those in Atlanta and Minneapolis who earned approximately \$25,000 dollars a year in overtime. These arguments ignore the fact that less than 5 percent of the total inspectional work force earned amounts of overtime as great as the Commissioner has indicated.

The basic rate of compensation for overtime worked by a Customs Inspector is double time as set forth in the Tariff Act of 1911. This rate is comparable to the rate received by many employees in the shipping industry, and is less than the overtime rates paid under many private sector collective bargaining agreements. For example, many longshoremen are protected by contracts which pay them double time for a guaranteed 4-hour overtime shift. Cargo checkers receive time and a half pay, but are guaranteed a minimum 8-hour shift.

Those who argue against the 1911 overtime rates also fail to take into consideration the number of hours an Inspector must work to earn this "handsome" compensation. In Atlanta and Minneapolis, Inspectors may work 100 hours a week and as many as 35 straight days. Hours such as these not only cause a severe disruption in an Inspector's personal life but have also resulted in many developing coronary disorders and hypertension. But, most important, current lack of staffing when combined with the increase in passengers and cargo and the proposed reduction in overtime will even further erode the enforcement and revenue-collecting capabilities of the Customs Service.

In summary, we believe that there is an abundance of evidence which indicates that Customs is increasingly unable to perform its mission as a revenue producing and law enforcement agency. Rather than seeking to upgrade the Service, this Administration is proposing policies which will move Customs away from its traditional role and toward the creation of a virtual "honor system." We believe that this is wrong and is not in the best interest of our country.

If Customs is to maintain its ability to interdict narcotics, enforce trade and quota laws, and collect revenue, the agency must be granted sufficient resources to fulfill its mission. We urge the Committee to do everything in its power to provide Customs with additional funds and increase the number of Inspectors in the fiscal year 1980 budget so that this agency will be able to truly meet its many important responsibilities.

Senator RUBINOFF. I wonder if either Mr. Gorson or Mr. Chasen would want to comment on how you can interdict more effectively the drugs coming into the United States, having heard the testimony?

Mr. HANN. Mr. Chairman, Mr. Chasen has departed, but I will comment.

Senator RUBINOFF. You may do so.

Mr. HANN. Very much of what Mr. Connery says is true. We have, particularly in the Florida area, just a mind-boggling amount of drug smuggling, particularly marihuana.

We have an air fleet which we attempt to use. We have approximately 72 aircraft. Nine of these aircraft have sensor equipment which is vital to making interception.

We have tried to make interceptions without the use of sensors, but when radar fails to hold the targets and you do not see the aircraft, there is little we can do to interdict. Most of the activity happens at night, at low altitudes. We are building up our capabilities as far as aircraft are concerned. We are involved with NORAD, the Air Defense Command, and actually staffing their radar facilities, the same with FAA and now with AWACS.

We have four T-39 aircraft which are borrowed from the military as a stopgap effort. These aircraft are currently being equipped with sensor equipment.

We have one high-performance fan-jet aircraft that has sensor equipment on it. We have another coming on board June 1, and we have another projected for the following year.

These are efforts that we are making to combat the influx of smuggling. We are also attempting to reallocate some of our personnel to the east coast, Florida and the gulf coast area.

Senator RIBICOFF. If Mr. Connery is correct that the amount of seizures have gone down 25 percent last year and more drugs have been coming in this year than in the past years, then there is a very substantial failure of detection and interdiction.

Mr. HANN. I am afraid I have to disagree with Mr. Connery on the overall amount seized. Although the number of seizures, according to our statistics, about an overall of 3,000 decreased in 1978 compared to 1977, the only area where we have gone down in amount is heroin.

In 1977, we seized about 277 pounds and in 1978, 188 pounds. In almost all of the other areas, we have increased.

Senator LONG. 188 pounds?

Mr. HANN. 188 pounds or heroin, yes sir. That is probably more than all other law enforcement agencies put together have seized.

Senator LONG. What would that stuff sell for? I do not know enough about it to put a figure on it. How much does 188 pounds of heroin sell for inside the United States, on the black market.

Mr. HANN. You get into astronomical figures when you consider that if that heroin seized at the border is 90 percent pure and it is broken down into five-grain capsules of 4- to 7-percent pure in the street, you can see that a pound of heroin goes a long way.

Senator LONG. I would like some idea. Your people surely have some figures, to put it into something that is meaningful.

Mr. HANN. I have just had handed to me a figure which indicates that one gram of heroin on the street would sell for about \$1,176.

Senator RIBICOFF. What is a pound of 90-percent heroin worth on the market?

Mr. HANN. Multiplied by the number of grams, over \$500,000.

Senator LONG. \$500,000?

Senator RIBICOFF. \$500,000.

Senator LONG. \$500,000 is what the public pays for 1 pound of heroin?

Mr. HANN. Yes, sir; when they buy it by the capsule.

Senator LONG. So 100 pounds of it would be \$50 million worth of heroin. That would rough out to \$100 million worth of heroin that you seized. I take it that there is a great deal more than that coming in.

Mr. HANN. I do not know.

Senator LONG. Most of what I have seen up to now on "60 Minutes" and otherwise indicates that most of the marihuana—and I do not know about heroin—but most of the marihuana is coming in here not in somebody's bag but in airplanes and boats. Is that correct or not?

Mr. HANN. That is correct, as far as marihuana is concerned. When you get down to cocaine, heroin, and, in many instances, hashish, it comes in people's baggage, it comes in hidden on their body, it comes in cargo.

Senator RIBICOFF. That is the point that Mr. Connery is making. Since the deadlier or more expensive kinds come in hand baggage, on a body or a person, the failure to inspect means that you are opening the doors right for them to come in.

Is that not the point you are making?

Mr. CONNERY. Yes, sir.

Mr. HANN. There is one area that you must take into consideration. You were talking about Miami International Airport. With the facilities at Miami International Airport, we have all the inspectors that can possibly man the facility itself. The facility is just not conducive to good examination.

As the Commissioner said, the facility planning at the Miami Airport has been very poorly done and they are probably 5 years behind the times.

We are having the same problem at Los Angeles. They are now renovating the space for customs inspection. They are putting in a new facility.

We recently provided 30 additional inspectors to Los Angeles to enable them to staff those belts during our peak period.

Senator RIBICOFF. Do you have any say in planning an airport when it comes to the customs section of an airport? Do they clear with you as to whether this is proper or not?

Mr. HANN. They clear with us as to the inside configuration. As far as the space available, normally no. They have a budget constraint and they live within their constraint.

Senator RIBICOFF. As I understand it, Mr. Gorson, representing the Air Transport Association, is going to come here and complain about how you do things. The responsibility is on their shoulders; if they present you and their passengers with inadequate facilities, it is not you, it is them.

Do you want to say something about that, Mr. Gorson, about your responsibility?

Mr. GORSON. Yes, sir.

STATEMENT OF JAMES R. GORSON, DIRECTOR, FACILITATION, AIR TRANSPORT ASSOCIATION OF AMERICA

Mr. GORSON. In response to your question, Senator, customs is in an unfortunate position in negotiating for the space they need at airports by the simple fact that they do not pay for it. That means, of course,

someone else has to pay for it. At most airports, the facilities for customs are underwritten by the airport tenants, including the airlines.

Senator RIBICOFF. Well, of course I would say that one of the great disgraces in America are the American airports. I travel a lot, and most of them are inadequate and filthy and really a disgrace.

Now, if you are making money on people coming in from abroad, international traffic, and part of the international traffic is to facilitate people going through customs, then it would seem to me that you have the obligation to present the facilities to take care of your passengers coming in here.

Mr. GORSON. That is a very frank observation. Of course, we do finance these facilities. Also, we do believe that if the government feels these services are necessary, every effort should be made to insure that the public, including the airlines, are not unduly penalized by these government activities, such as financing for airport space.

Congress has provided legislation to fund these facilities. However, the money has never been appropriated. The law is there to be used.

The study customs did several years ago indicated that approximately \$5.4 million would be adequate on a yearly basis to pay for the rentals of U.S. airports.

Senator LONG. Let me make a point. With all this money you are spending, with all these inspections you are talking about, you say that you managed to catch about 188 pounds of heroin coming in. I do not know all that much about this, but I was in the amphibious force in World War II. I know that 188 pounds is a heavy load to carry, but you could give me 50 pounds of that stuff and I could take it across a beach, just come up with a small boat by night and take 50 pounds across the beach, and it seems to me unless you have men patrolling every 100 yards on that beach, I could go right on through by night.

What is your reaction to that?

Mr. HANN. My reaction to that is that heroin is probably the smallest narcotic in volume that is currently being smuggled into the United States. With the eradication in Mexico, most heroin comes from Asia and the Middle East. But when we start talking about cocaine, we are talking about 1,500 pounds of cocaine that we seized last year, and hashish, over 22,000 pounds and marihuana about 5 million pounds.

Senator LONG. The bigger it gets, the more success you have.

Of the stuff coming in, what percent do you think you are seizing?

Mr. HANN. I do not have any idea. I do not think that anybody in Government can really do that. We have estimates—it was estimated that there were 12 tons of heroin coming into the United States a couple of years ago.

Senator RIBICOFF. Twelve tons, and last year you got 188 pounds. Then you are really not catching it at all.

Mr. HANN. If you can believe that figure. I do not know that you can.

Senator LONG. If I were in your business, I would have some way of estimating what is happening. Just exactly how to do it, I do not know, but I would figure out a way.

Mr. HANN. The estimates that you have made are based on history, how many seizures have been made, how many reported overdoses have been admitted to hospitals, how many deaths have been attributed to

overdoses, and a compilation of those figures and a sampling of the population, you do come up with a figure.

Mr. CONNERY. If I may, Senator, I believe that most of the police services throughout the United States have thoroughly accurate figures on what is entering their particular jurisdiction and the extent of the street trade, and so forth.

Senator LONG. You think that the police could come here and give a reliable idea?

Mr. CONNERY. I believe this figure is readily available and would only show that the U.S. Customs Service is doing a terribly poor job in interdicting anything coming into this country.

Senator LONG. The area we are talking about may not be where the problem is. In other words if I were a commercial smuggler of heroin, if I were in a deal for big money, I would not be trying to bring it in through those airports. I would be bringing it across the beach, somebody would inspect me.

Would you not?

Mr. CONNERY. It is a judgment call. For example, heroin, as the gentleman indicates, has an unimaginable street value. First of all, when it is brought in, it is brought in in a relatively pure state and it is diluted to a great degree and it is sold in little tiny capsule form for \$50 to \$75 a capsule.

The possibility for profits in this business is overwhelming. In addition, drug dealers can get cheap hires, so to speak, in the way of Colombians, Haitians, and so forth, to serve as body carriers in exchange for getting into the country.

Senator LONG. It would be so much easier to fly across in a light airplane and drop it somewhere in a small parachute.

Mr. CONNERY. It is easy, Senator. It is absolutely simple and, as a matter of fact, they can walk it across, and they do.

Mr. GORSON. Your point is well-taken. By focusing on one simple thing, in fiscal year 1980, 300 million travelers or persons will come to the United States. Of that amount, 20 million will come by commercial air and deplane at places like Los Angeles and Miami. But the other 280 million people will come across the land borders, or by ships. So a very small percentage actually come into the airports.

Senator LONG. I would take it that walking across from Canada is not as much of a problem as walking across from Mexico. Is that fair?

Mr. CONNERY. Almost always it comes from the south.

Mr. HANN. I disagree with that fact. If you are talking about heroin, it comes from Southeast Asia or the Middle East, and we do have the problem with it going into Canada. They have a real narcotic problem in Vancouver and Montreal, and we have problems up there as far as the smuggling is concerned, but we also have problems on the Mexican border. The Mexican border has reduced significantly since the eradication program that they had down there, and most of the marihuana growers and smugglers went to Colombia.

Senator LONG. Thank you very much.

Senator RIBICOFF. Well, I would hope that when we get the report of the GAO they will take into account the problem that we have in the interdiction of drugs and the cooperative efforts that are needed between the Drug Enforcement Agency and the Customs Service and other law enforcement agencies involved, but it is apparent that the

values and the profits are so huge that they can take any kinds of risk because the profits and the returns are so high.

Senator LONG. If I may interject one further point, in that "60 Minutes" program they showed a ship out at sea with a huge amount of that stuff, and there they were with a foreign flag and all that at sea, somewhat out beyond the 12-mile limit. My reaction is, in fighting the drug traffic, we should not put immunity there. We should go out and grab them.

Mr. HANN. It is a matter of international treaty and the State Departments of both countries get involved. When they are outside the continental limits of the United States, according to our State Department people, we have to get permission from the country to which the vessel is registered.

Senator LONG. It seems to me we should stop that foolishness in a hurry. We should pass a law and declare a wide zone out there, 150 miles, so that when we believe somebody out in that area is violating our laws, we are going to go on board and search and seize.

Mr. HANN. We currently do that. We get the permission of the country of registry, but the criminal statutes do not extend beyond the 3-mile limit, so when we bring them in, we turn them loose.

Senator LONG. That is our business, passing laws up here. We should extend it out 50 miles.

I think I know enough about the law to know an act of Congress will override that treaty, treaty or no treaty. Fifty miles out there, if they are closer to the United States than any other country, as far as we are concerned, they are breaking our law having drugs in that area, and we are going to go out there and seize it.

Mr. THORNE. If I might interject, I am John Thorne, with Customs. We have proposed language to amend the law to affect just as you suggest. We visited with the Banking Committee in the House and we will be visiting here in the Senate.

What it virtually would do would be to allow us to go on board foreign ships for which we have permission to board on the high seas, and if we can show a conspiracy or if it is a U.S. citizen involved, then we can exercise criminal jurisdiction over that individual.

Senator LONG. Why do we have to have all of that? It just seems to me that we could, if we wanted to, simply pass a law and say the vessels out there in that area, we are going to check them to see what they have aboard. And if we find something out there, simply arrest them.

If it would take a constitutional amendment, I do not think there would be any difficulty in passing it. It just depends on what you want to do.

The people in this country are not in favor of having 12 tons of heroin coming into this Nation. All it takes is just a proposal of a proper legislative answer.

The last thing we need is to be confused about the issue. What we need is to have some answers, and I would think the answer is to say you cannot come not within 100 miles of the United States out on the high seas loaded down with a load of heroin or a load of marihuana without being inspected.

If you are out there, we are going to come looking for you. If it takes a constitutional amendment so be it.

It seems to me, if it took a constitutional amendment, we would not have any difficulty getting it ratified by the States. That is just to protect our youth, not anything more.

If you people would show us what it takes, as far as the United States is involved, what difference does it make to us, if it is a U.S. citizen involved? What is of concern to us is the drugs, and anybody who is taking the drugs?

When can you people get us some kind of recommendation that will let us do our job? I am not just talking about the U.S. citizen. What difference does it make to us if it is an American citizen or someone else out there with those drugs? It seems to me we have to take the attitude that we are going to defend that area for our own interests. I would think it would be for defense purposes.

If there is somebody in that air space headed this way, we would act.

Senator Ribicoff. For the purposes of the record, one of the members of my staff called the Drug Enforcement Administration while this was going on who reports that retail value of illicit drugs in 1977 was \$40 billion. So you see what is involved.

That raises the question, you know, it is very interesting that almost all the time we have been talking we have been talking about the interdiction of drugs, and this is a very popular issue with Congress. You usually can get all the money you want for the interdiction of drugs, and you should be concerned, but we have neglected the question of the regulatory functions of Customs, dumping, statistical collection and the like.

The Finance Committee has emphasized the need for more regulatory work. We cannot make our policy unless we know what is coming in illegally and can act effectively.

So while we have been emphasizing drugs, that does not mean we are not interested in the other problems that Customs has to deal with to make this work, so keep that in mind. While you have not been put over the coals on that issue, we have not forgotten it. We do expect cooperation and effectiveness in that field.

But there is a problem that we have here, and I would assume that you would take that into account while you are working up the report with GAO. We are drawing to a close here.

Mr. Gorson, you have not been heard from much. Your whole statement will go into the record as if read. You have some complaints that somehow you are being ill-treated, the airline industry?

Mr. Gorson. Yes, sir. In the interest of time, I could simply summarize my remarks.

The Air Transport Association, which represents virtually all of the U.S. scheduled air carriers, is vitally interested in the inspection operations of the U.S. Customs Service at international gateway airports.

We appreciate this opportunity to comment on fiscal year 1980 Customs Service authorizations.

The situation at some major U.S. gateways is already critical. Many airports have been experiencing serious congestion and delays and considerable public inconvenience. During the past summer season, it was not uncommon for some incoming air travelers to suffer delays of 3 to 4 hours. In the future, the new climate of competition among

the airlines, new entries in scheduled service, and increasingly liberal bilateral agreements are expected to expand service significantly. Unless remedial action is taken, more severe bottlenecks are bound to occur, exacerbating already intolerable situations.

The congestion can be eased through several means. Primarily, funds must be made available for inspector positions to accommodate the traffic at international airports and reduce the untenable delays. In addition, the Customs Service must be allowed to pay for their own airport facilities in order to modernize and automate the inspection process. Currently, because they receive space without charge, Customs is at a serious disadvantage in negotiating for the space, and consequently, the facilities are often inadequate.

Payment for these facilities were authorized in 1961 but funds were never appropriated. We urge this committee to reinforce the provisions of the law in this regard and indicate its support for Customs' funding of its airport facilities.

Senator RIBICOFF. Why do you think the Appropriations Committee has never appropriated the money?

Mr. GORSON. They have felt that airlines, as users of the Customs Service, should pay for the Customs facilities, should pay for the Customs manpower and overtime costs and have never seen fit to allow Customs to pay for their own facilities.

Senator RIBICOFF. But you are the beneficiary of international travel. Part of international travel is the Customs Service inspection.

Mr. GORSON. We could also say, Senator, that while we understand the need for Customs Services, we would just as soon do without this kind of service, a service that is expensive, a service that is necessary, and one that benefits the country as a whole by preventing smuggling, keeping out animal and plant pests. Airlines are not the beneficiaries. We just happen to be the instrument that is required to go through the Customs inspection.

Senator RIBICOFF. If it were not for airplanes, we would not have that problem. You make the profits on them.

Mr. GORSON. The other modes of transportation, for example, the ships, the trains, the ferries, the buses, streetcars, people walking across the border do not have to pay for these facilities.

Senator RIBICOFF. None of them get the subsidies you do. The airlines do very well with subsidies of every type, of every kind from the Federal Government.

Mr. GORSON. Most of our airlines today, the larger ones, are not subsidized and they are free now for the most part, under new policies, to give up those routes that are unproductive so they will not be subsidized. If I may continue, sir, preclearance, which allows inspection of passengers and their baggage prior to departure from a foreign country, rather than upon arrival in the United States, also reduces the burden on Customs operations within the United States. However, in 1970 when the policy of Customs was to phase out preclearance, administrative costs were imposed on the airlines to pay excess preclearance costs. These charges cover housing, duty post and education allowances, certain transportation expenses, and equipment and administrative costs, including the cost of supervising the preclearance installations.

Although the policy toward preclearance has since been reversed, and the Congress has affirmed its support for the concept, the airlines are still required to bear these costs. There is no valid justification for this exaction, and its continuation could well jeopardize the preclearance program.

It should be kept in mind that the U.S. Customs Service was established to provide various Government services for the public. If the Government feels these services are necessary, every effort should be made to insure that the public is not unduly penalized by the Government activities.

Because many travelers and shippers who are subject to Customs requirements utilize air transportation, a system has evolved which seriously penalizes the airlines. If our Government believes that the programs established by Customs provide an essential and necessary service, it should then take the responsibility for operating them efficiently and paying the related costs.

That concludes my summary statement, Mr. Chairman.

Senator RIBICOFF. You gentlemen, do you believe in preclearance from the passenger standpoint.

Mr. CONNERY. Yes.

Senator RIBICOFF. Do you believe in preclearance from the Customs management standpoint?

Mr. HANN. Yes, providing that there are adequate safeguards in the foreign country in which we are resident.

Senator RIBICOFF. What do you mean, adequate safeguards?

Mr. HANN. For an efficient Customs inspection system, particularly after the examination has been made, people and their bags should be maintained in a sterile area prior to enplaning for departure to the United States.

We, at some of our preclearance locations, have very difficult times in trying to establish this security safeguard and, in fact, have not accomplished it at any of the preclearance sites to date.

Senator RIBICOFF. Do you not think that could be easily worked out, that this could be a competitive advantage for those airlines that supply the proper sanitized preclearance areas as against those that did not, because that meant that those persons would get through Customs much faster.

If I were a traveler and I thought that X airlines had a preclearance approved by you and Y airline did not, I would fly on X airline instead of Y. So once you establish that and lay down rules and regulations, I think that you would find that most of the airlines would play ball with you.

Mr. THORNE. There is another problem that is beyond the airlines. The preclearance facility is set up by agreement with that foreign government and we cannot enforce U.S. laws in that foreign country. Our inspectors there are hamstrung in many respects.

If someone wants to come in with something that is illicit in the United States and not illicit in that foreign country, we cannot do anything with him. He can just go back out and come through another line, or another airline.

Senator RIBICOFF. The difference is once you know that he would not comply, he would be on a list and he would be grabbed when he came into the United States.

Mr. THORNE. Hopefully. That is what we try for.

Senator RIBICOFF. If you had 100 passengers on an airline coming into Dulles or Kennedy and there were 5 of those that did not want to go through your preclearance procedure, those 5 would be given a very thorough examination when they came in, but the 95 would be cleared. I do not think that is an insurmountable obstacle.

Mr. THORNE. One of the best solutions is one taken by the Government of the Bahamas where they passed a law there in the islands that gave our inspectors the capability to enforce U.S. law with the backup of the local constable, so the constable would come in and make the apprehension.

Senator RIBICOFF. I think that you would find that the State Department should not have too much difficulty getting an international agreement with one or more countries based on mutuality where that could be done with passengers going into their country and passengers coming into the United States.

With international travel now, you could find that you could work that out, because there is no question that the preclearance procedure would be a great boon to everybody involved, Customs, the airlines, the passengers, the airports, everybody would be the beneficiary.

It seems to me that there are enough brains in every phase of this to be able to work out a procedure to everyone's mutual advantage.

What do you say?

Mr. GORSON. I have a comment on that, an observation at the very least. The biggest problem today is simply lack of U.S. Customs staffing.

For example, the Canadian Government has agreed to finance a new preclearance station in Edmonton, Alberta, Canada. They have offered the Customs Service security, complete security facilities, one-stop inspection that no city in the United States has except Philadelphia. But Customs needs 10 people to staff that place, to open up. It could start in 2 months. Yet the hang-up in Edmonton is simply lack of staffing, and this is true in other places.

Although Customs did implement the preclearance last year at Freeport in the Bahamas and of course, Calgary has one, but Edmonton does not. All Edmonton passengers must get off at Calgary. All the baggage gets off, and goes through the preclearance facility there and then are put on the aircraft again.

This is an intolerable situation, an inadequate procedure, and frustrates the concept of preclearance.

If this committee could do no more than urge Customs to supply 10 people for Edmonton preclearance, it would benefit the traveling public from Canada.

Senator RIBICOFF. I think the greatest service you could do, Mr. Gorson, to the members of the Air Transport Association of America is to sit down with Customs' management and see what you could do to work out a preclearance procedure that is to your mutual advantage. I think that would be a fantastic boon to all of you.

You would be the beneficiary, Customs would be the beneficiary, the passengers that use you—and you, too, Mr. Connery. You can get on this.

Mr. CONNERY. Actually, the fact is, as Mr. Gorson said, and our entire experience indicate, Customs does not have the personnel. No

matter what the idea is, they do not have the personnel to enforce it.

For example, speaking of Canada, I was just told recently about the Canadian Government opening up 15 lanes but Customs being only able to staff three, thereby only three can move.

This has been the entire, repetitious history. They do not have the personnel and they do not ask for more personnel and they are accepting a 5-percent personnel cut.

Senator RIBICOFF. Why do you not present a system and plan and send it up to Congress to put up or shut up? Congress is doing the complaining about the system. Now it is up to Congress if they want the system corrected to give you the funds to do the job.

Once you present a plan that is meaningful, they either accept it, or if they do not accept it, make them get off your backs.

Mr. GORSON. We have appended to our statement, Mr. Chairman, the exact number of inspectors that we feel are necessary at all the preclearance airports. It totals some 39 and the number of additional inspectors needed at U.S. ports of entry total 132.

Senator RIBICOFF. To do this preclearance, it could be done with 132 additional employees?

Mr. GORSON. For preclearance, only 39.

Senator RIBICOFF. That is not insurmountable, if that is all you need to do the preclearance; 39 additional Customs inspectors, that is really a drop in the bucket of all their personnel. How many Customs employees are there now?

Mr. HANN. About 14,600.

Senator RIBICOFF. You have 14,600 and you are talking about 39?

Mr. HANN. We are talking about 4,500 inspectors in that 14,600.

Senator RIBICOFF. Even so, it is a small percentage. It seems to me that that is where we ought to be paying attention if you want to accommodate and facilitate the Americans coming into the United States.

Mr. HANN. He also said that 132 inspectors at existing airports within the United States, in addition to those 39 positions for preclearance.

Mr. GORSON. Correct.

We have a new slogan, Senator, which is becoming worldwide, that is, "Open skies, closed airports." Closed airports refers to the Federal inspection services—Customs, Immigration and also, to a lesser extent, agricultural inspection.

Senator RIBICOFF. If you people do not work this out, you are certainly going to kill the goose that lays the golden eggs for you. You are going to make it so impossible and inconvenient to travel that everybody is going to stay home.

Mr. THORNE. It may be appropriate to add for the record that Customs is most aware of what we call the Customs dilemma: providing the enforcement, to the best of our abilities, and at the same time expediting passenger services and of cargo. In February, after meeting extensively with airline representatives, we reorganized the Customs Headquarters here in Washington and moved 105 positions out to the field. We are aware and are trying to learn more each day of the growing needs of passenger service, of wide-bodied jets and, as you mentioned earlier, the peak of travel time, and we are trying to

meet those needs. We are being as flexible and pragmatic as I think any Government agency can be in moving those positions.

We are trying to meet the program head-on. We are meeting regularly, not only with the airline representatives, but with port authorities and others.

Senator RIBICOFF. It bothers me, how many does a 747 carry now?

Mr. GORSON. Up to 400 passengers.

Senator RIBICOFF. I think one of the best investments you could make is to put a customs and immigration inspector right on one of those 747's. A 4- or 5- or 6-hour flight, let them go up and down.

Mr. CONNERY. If I may, Customs is going exactly in the opposite direction. They are calling for a system of what they call general supervision, which would only further exacerbate this problem, where one inspector will be inspecting three or four ships unloading at a pier. All these personnel will have to wait around to accommodate themselves to that inspector arriving. The same is true of the airport situation. It is only under their proposal, the most recent proposal, things are only going to get worse.

Mr. HANN. Mr. Chairman, I would like to get the record clear on the reduced supervision of cargo unloading that I think Mr. Connery is alluding to. Customs has been looking at our overtime requirements and we have found certain areas where we think managerially, closer supervision of what is being worked is required.

One of the areas is currently when a ship is at a dock and it is off-lading cargo. We have one inspector there most of the time seeing that the cargo clears the ship.

The merchandise is not examined at that time. If it is necessary, the ship is cleared and searched before this takes place so the inspector merely watches the cargo come off the vessel.

What we are proposing, if there was more than one vessel that is off-lading in the adjacent area, is that the inspector in supervising the off-lading of cargo could watch more than one vessel.

Senator RIBICOFF. Mr. Gorson, would you be willing to give free transportation to the customs and immigration inspector if he were on the 747?

Mr. GORSON. We would certainly consider it. Actually, we have done that on several occasions. For example, in situations in Japan an experiment was tried where both immigration and customs inspectors did actually travel on the plane. The biggest drawback though is that the baggage, the hold baggage, the checked baggage, is not available to Customs and thereby cannot be inspected en route.

We would prefer another procedure that we consider more efficient, that is, preclearance, where the passenger undergoes his inspection at selected overseas places while he is doing his normal check-in, using the same time available.

But having said that, Mr. Chairman and having made several complaints, mainly of a staffing nature, I would be remiss not to acknowledge the facilitation action taken under direction of Commissioner Robert E. Chasen, particularly such things as citizen bypass in conjunction with the Immigration Service, the one-stop inspection experiment in Philadelphia and, more specifically, reallocation of resources where he has made available headquarters personnel to be shifted to

the field, and we consider that, even though small, a significant help during the heavy traffic season that will occur next month and for the rest of the year.

Again, as Commissioner Chasen indicated, he is holding bimonthly meetings with the airline industry on such things as you suggested and they are under discussion and review.

We do feel Commissioner Chasen is a real breath of fresh air in removing some of these antiquated and archaic customs procedures.

Senator RIBICOFF. If you think he is good, this is an opportunity for you to get some cooperation with him and try to work out these problems to the benefit of the public. If the public benefits, so will the airlines.

Thank you very much, gentlemen, for your cooperation. The subcommittee is recessed.

[The prepared statement of Mr. Gorson follows:]

SUMMARY STATEMENT OF THE AIR TRANSPORT ASSOCIATION

U.S. CUSTOMS SERVICE AUTHORIZATION FISCAL YEAR 1980

The Air Transport Association, which represents virtually all of the U.S. scheduled air carriers, is vitally interested in the inspection operations of the U.S. Customs Service at international gateway airports.

The situation at some major U.S. gateways is already critical. Many airports have been experiencing serious congestion and delays and considerable public inconvenience. During the past summer season, it was not uncommon for some incoming air travelers to suffer delays of three to four hours. In the future, the new climate of competition among the airlines, new entries in scheduled service, and increasingly liberal bilateral agreements are expected to expand service significantly. Unless remedial action is taken, more severe bottlenecks are bound to occur, exacerbating already intolerable situations.

The congestion can be eased through several means. Primarily, funds must be made available for inspector positions to accommodate the traffic at international airports and reduce the untenable delays. In addition, the Customs Service must be allowed to pay for their own airport facilities in order to modernize and automate the inspection process. Currently, because they receive space without charge, Customs is at a serious disadvantage in negotiating for the space, and consequently, the facilities are often inadequate. Payment for these facilities was authorized in 1961, but funds were never appropriated. We urge this committee to reinforce the provisions of the law in this regard and indicate its support for Customs' funding of its airport facilities.

Preclearance, which allows inspection of passengers and their baggage prior to departure from a foreign country, rather than upon arrival in the United States, also reduces the burden on Customs operations within the U.S. However, in 1970, when the policy of Customs was to phase out preclearance, administrative costs were imposed on the airlines to pay excess preclearance costs. These charges cover housing, duty-post and education allowances, certain transportation expenses, and equipment and administrative costs, including the cost of supervising the preclearance installations. Although the policy toward preclearance has since been reversed, and the Congress has affirmed its support for the concept, the airlines are still required to bear these costs. There is no valid justification for this exaction, and its continuation could well jeopardize the preclearance program.

It should be kept in mind that the U.S. Customs Service was established to provide various Government services for the public. If the Government feels these services are necessary, every effort should be made to insure that the public is not unduly penalized by the Government activities. Because many travelers and shippers who are subject to Customs requirements utilize air transportation, a system has evolved which seriously penalizes the airlines. If our Government believes that the programs established by Customs provide an essential and necessary service, it should then take the responsibility for operating them efficiently and paying the related costs.

STATEMENT OF JAMES R. GORSON, DIRECTOR, FACILITATION, AIR TRANSPORT
ASSOCIATION OF AMERICA

U.S. CUSTOMS SERVICE AUTHORIZATION—FISCAL YEAR 1980

My name is James R. Gorson. I am Director of Facilitation of the Air Transport Association of America, which represents virtually all of the scheduled airlines of the United States. I appreciate the opportunity to comment on the fiscal year 1980 Customs Service Authorization.

The United States flag air carriers are vitally interested in the services provided by the Customs Service at international gateway airports in this country. Inspection of airline passengers and shipments by Customs personnel impacts not only on airline operations, but on growing millions of travelers, businesses, and communities which rely on international air transportation.

Due to the obvious necessity for close and efficient coordination and cooperation between Customs and the carriers, the airlines are particularly concerned about several areas of the Customs budget. These are: Customs staffing at airports, preclearance costs, and payment for airport terminal space occupied by Customs. We would like to review briefly each of these subjects.

CUSTOMS STAFFING AT AIRPORTS

The airlines are deeply concerned over the current and proposed cuts in Customs staffing at U.S. international airports. The reductions, if carried out, would aggravate an already critical situation. The congestion at many gateways has caused serious delays and considerable public inconvenience.

Foreign air travel to the United States increased over 20 percent in 1978. In the future, the new climate of competition among the airlines, new entries in scheduled service, and increasingly liberal bilateral agreements called for by U.S. policy are expected to expand service significantly and result in even more severe bottlenecks in processing international arrivals, unless remedial actions are taken.

During the past summer season, it was not uncommon for some incoming air travelers to suffer delays of two to four hours, particularly at such places as in Los Angeles, New York, Miami, Chicago, and Honolulu.

In Miami, for example, international arrivals increased 22 percent. While some new inspectors were added, the effect was diminished by the greater influx of tourists and other air travelers. Seasonal and holiday traffic is the heaviest, and during these periods the staff is hardpressed, overworked and undermanned. Even in off-peak periods, however, there were incidences when it took hours to process international arrivals, and this situation is reflected in the attached New York Times article. The situation in Los Angeles also has become extremely acute and this is reported in the attached story from the Los Angeles Times.

While many of the delays were due to a combination of insufficient staff and a lack of adequate facilities, reductions in staff at these and other Customs locations can only exacerbate already intolerable situations.

Notwithstanding the tremendous burden on inspection personnel and facilities and the continuing growth in air travel, the Customs Service has reduced airport inspection staff this fiscal year and plans to fill no new positions in fiscal year 1980. While Customs did restore some of the initially proposed cuts, staffing is still below an adequate level at the present time and cannot possibly accommodate significant increases in traffic.

In the New York region, 20 uniformed inspector jobs are to be eliminated in passenger processing—a 15-percent reduction in force. At the San Juan International Airport, full-time inspectors have been cut back to 33, but because of retirements this number will be reduced to 25. A total of 39 inspectors is needed as a minimum.

At the Los Angeles Airport, the modified facility at Satellite Terminal No. 2 is scheduled to be operational by fall 1979 and 36 additional inspectors will be needed to staff this facility.

These are only a few examples of ongoing reductions and of explicit requirements. However, it is obvious that, rather than reducing Customs staffing at airports, additional inspectors are needed. For fiscal year 1980 the minimum additional increases needed in Customs inspection staffing at airports are detailed in our attachment.

It should be noted, paradoxically, that the reduction in Customs staffing is contrary to the newly established U.S. international aviation policy announced by the President on August 21, 1978.

Policy Objective No. 6 states :

Encouragement of maximum traveler and shipper access to international markets by authorizing more cities for nonstop or direct service, and by improving the integration of domestic and international airline services.

Additionally, the desired result of one of the goals of the policy is:

Increasing opportunities for U.S.-flag transportation to and from the United States will contribute to the development of our foreign commerce, assure that more airlift resources are available for our defense needs, and promote and expand productivity and job opportunities in our international air transport industry.

This policy is the official position of the U.S. Government with regard to international air transportation. It means more airlines, both U.S. and foreign, will be operating more flights carrying more passengers from more points abroad to more U.S. airports. Any practice having the effect of restraining international air services would be inconsistent with this presidential policy. Accordingly, a question arises as to whether the Customs staffing reductions conflict with other governmental objectives.

Customs congestion problems are thus obviously being brought about by traffic growing faster than the rate at which facilities and services are provided to process the incoming passengers in a satisfactory manner. Reallocation of existing resources by the Customs Service can help to reduce the congestion. While Customs has taken steps such as the shifting of headquarters personnel to field offices, further administrative action is necessary. Expansion of preclearance in Canada and abroad would be particularly beneficial in this regard.

We also believe the critical delay situation at airports-of-entry can be ameliorated through further installations of the Customs Accelerated Passenger Inspection System (CAPIS). This system increases the rate of passenger flow, thereby making more effective use of limited facility space. Customs has determined that installation of CAPIS reduces the number of inspector counters needed by 25 percent, and allows for smoother and faster passenger movement. However, this system is far from being fully implemented.

Before leaving the subject of Customs staffing, we must express our concern about Customs' practice of restricting the landing rights for arriving aircraft. These restrictions are due primarily to inadequate staffing. Denial of landing rights by Customs will result in a public outcry both here and abroad. Charter and scheduled traffic to the United States under newly liberalized bilateral route agreements, coupled with new low fares, as pointed out, will continue to increase at a dramatic pace. Customs budget requests have been, and still are, unrealistic in failing to acknowledge this additional traffic.

We believe it is the Government's responsibility to provide sufficient staff to conduct required inspections without penalizing the traveling or shipping public, or the airlines which provide Government-authorized public service.

EXCESS PRECLEARANCE COSTS

Preclearance allows the inspection of passengers and their baggage prior to departure from a foreign country, rather than upon arrival in the United States, and has been a viable operational procedure since 1952. Excess preclearance costs are administrative charges imposed on the airlines in 1970, when the policy of Customs was to phase out preclearance. These special administrative charges for preclearance penalize the airlines by requiring payment for housing, dutypost and education allowances, transportation costs incident to an assignment to a preclearance station and return, home leave and other related transportation expenses, and equipment and administrative costs, including the cost of supervising the preclearance installations.

As itemized in our attachments, during calendar year 1977 the airlines paid the Department of Treasury \$1.7 million for these excess costs, and charges for 1978 were \$2.3 million. The airlines should not be required to bear these costs, and their continued exaction could well jeopardize the preclearance program in effect at five cities in Canada, one in Bermuda, and two in the Bahamas. No other agency of the U.S. Government involved in preclearance, such as the Department of Agriculture or the U.S. Immigration Service, imposes such charges. We believe these unjustifiable charges on the private sector should be terminated.

PAYMENTS FOR CUSTOMS SPACE AT AIRPORTS

Finally, with respect to payments for Customs space at airports, there has been dissatisfaction over the years on the part of Congress, airport operators, the air-

lines and the Customs Service about the arrangements for providing space used by Customs at airports in the United States. Costs for this space are underwritten by the airlines and other airport tenants.

The Customs Service, however, today must still try to obtain whatever space can be made available to them, without cost, at airports to process international passengers and their baggage. Obviously, Customs is at a serious disadvantage in negotiating for space they do not pay for, and consequently, the facilities provided Customs such as at Miami, Los Angeles, San Francisco, and Chicago, are often inadequate.

In 1961 the Congress addressed the problem in Public Law 87-255, which amended Section 1109(e) of the Federal Aviation Act as follows:

There are authorized to be appropriated such sums as may be necessary to enable the head of any department or agency of the Federal Government charged with any duty of inspection, clearance, collection of taxes or duties, or other similar function, with respect to persons or property moving in air commerce, to acquire such space at public airports (as defined in the Airport and Airway Development Act of 1970) as he determines, after consultation with the Secretary of Transportation to be necessary for the performance of such duty.

Regrettably, no appropriations have been provided. We, therefore, urge this committee to reinforce the provisions of the law in this regard and indicate its support for Customs funding of its airport facilities.

CONCLUSION

In conclusion, while we commend the Congress and the Customs Service for its attention to the problems of international air travelers and shippers, more must be done. It should be kept in mind that the U.S. Customs Service was established to provide Government services for the public. If the Government feels these services are necessary, every effort should be made to insure that the public is not unduly penalized by the Government activities. However, because many travelers and shippers who are subject to Customs requirements utilize air transportation, a system has evolved which seriously penalizes the airlines. The lack of inspectors slows up processing and the passengers miss their connections. The airlines are forced to pay excess preclearance costs to help alleviate the burden on Government airport inspections within the United States and they are required to help underwrite the cost of facilities at airports for the Customs Service.

If our Government believes Customs provides an essential and necessary service, it should then take the responsibility for operating it efficiently and paying the related costs.

As previously pointed out, much can be done to solve current problems on an administrative level. However, we do not believe more efficient performance will totally overcome deficiencies in staffing if the quality of inspections is to be maintained. Funds must be made available if congestion and processing delays at airports are to be dealt with, and if adequate Customs facility requirements are to be maintained. We, therefore, urge the committee to authorize the necessary funds to meet the following requirements of the Customs Service for fiscal year 1980:

\$2.7 million should be allocated for 132 additional inspectors, to cover inspection needs at the U.S. airports shown in the attachment;

\$790,000 should be allocated for 39 additional inspectors for preclearance airports shown on the attachment;

\$5.4 million to underwrite Customs airport rentals and facility costs; and
\$2.3 million for excess preclearance charges.

We appreciate this opportunity to outline the views of the scheduled airlines. We will be pleased to work with the committee and its staff in every way possible on these Customs matters to facilitate international air travel and commerce.

Additional customs staffing requirements fiscal year 1980—U.S. airports-of-entry

Airport:	Additional Inspectors
Agana, Guam	1
Anchorage	2
Atlanta	1
Baltimore	2
Boston	6
Chicago	6
Cleveland	1
Dallas	3
Denver	1
Detroit	1
Honolulu	6
Houston	4
Los Angeles	36
Miami	9
Minneapolis	1
New Orleans	3
New York, JFK	14
Philadelphia	2
Pittsburgh	1
Portland, Oreg.	1
San Antonio	2
San Diego	1
San Francisco	4
San Juan	16
Seattle	3
Tampa	1
Tucson	1
Washington, Dulles	3
Subtotal	<u>132</u>
Preclearance airports:	
Bermuda	2
Calgary	1
Edmonton	10
Freeport	2
Montreal	2
Nassau	2
St. Thomas	2
Toronto	16
Vancouver	1
Winnipeg	1
Subtotal	<u>38</u>
Total	<u>171</u>

EXCESS PRECLEARANCE COSTS FOR CALENDAR YEARS 1977¹ AND 1978²

City	Costs	
	1977	1978
Canada:		
Vancouver.....	\$198,365.25	\$215,543.10
Winnipeg.....	37,999.93	42,175.86
Toronto.....	615,242.92	667,902.10
Montreal.....	369,840.07	343,458.79
Calgary ³		126,626.46
Bermuda: Hamilton.....	149,534.93	117,959.60
Bahamas:		
Freeport ⁴		343,384.40
Nassau.....	291,970.21	410,216.80
Total.....	1,662,953.31	2,271,267.00

¹ Source: Federal Register issues of Nov. 9, 1976 (p. 49550); Feb. 7, 1977 (p. 7183); May 13, 1977 (p. 24348); July 29, 1977 (p. 38684); and Nov. 7, 1977 (p. 58001).

² Source: Federal Register issues of Nov. 7, 1977 (p. 58001); Dec. 12, 1977 (p. 62436); Feb. 6, 1978 (p. 4893); May 17, 1978 (p. 21390); Aug. 16, 1978 (p. 36337); and Nov. 14, 1978 (p. 52797).

³ Calgary preclearance began on Mar. 15, 1978.

⁴ Freeport preclearance began on Jan. 8, 1978.

[From the New York Times]

MIAMI'S AIRPORT: AWFUL ON SUNDAY

(By Jon Nordheimer)

One of the three baggage carousels in the international arrival section of Miami International Airport clicks into motion and the first bags off an overseas flight pop out a dark hole and slide down a short chute onto steel plates moving in a circle.

A sea of faces in the jam-packed area in front of the United States Customs counters turns hopefully toward the mechanical sign above the carousel that is spinning out white letters. "Air Jamaica" finally registers on the board, brightening the faces of 150 passengers in a crowd of at least six times that number and restoring brooding looks to those waiting for British West Indian Airways, Pan American and Lacs, the Costa Rican airline, to produce their luggage.

For the Air Jamaica passengers pressing forward to retrieve their suitcases and golf bags, it is the first victory in an exercise that will further test their courage, stamina and fortitude: Re-entering the United States on a weekend afternoon at Miami International.

Ahead stretch the long lines to the Customs inspection counters. With luck, the wait will be only 60 minutes or so. For many, however, it may be two hours before they make their way past the guards at the door to face another ordeal at an airline counter in the terminal: getting a seat aboard a plane headed for their destination in the United States because they have long since missed their connection.

This scene can be duplicated for other international travelers at Kennedy, O'Hare or Los Angeles, but the problems and frustrations encountered by arriving overseas passengers in Miami during peak times on weekends are almost a special case.

After Kennedy Airport in New York, Miami's airport is the second busiest in the United States in processing arriving passengers through Customs. And it continues to grow at a fast pace: The number of international travelers in January was 15 percent above the level of January, 1978.

The shrinking value of the dollar has generated most of the travel because Miami and the rest of Florida have become a destination for Latin Americans, and more recently Europeans, seeking a bargain shopping and vacation destinations. Moreover, Miami is the port of entry for growing numbers of Latin Americans and Caribbean people seeking jobs or an education in this country, as well as a connection for the growing number of affluent travelers from the United States Sunbelt on business or vacation trips.

Facilities at the airport, despite \$50 million in new or continuing construction, have not been able to keep up with the expansion in travel, and a bottleneck has developed at Customs inspection, a problem that is destined to continue for a year or more.

"I keep getting letters from travelers who say that thanks to us their beautiful vacations were spoiled," Brian A. Richardson, deputy director of United States Customs at Miami International, said. "All I can do is bleed for them because I know what they're saying is true."

Mr. Richardson, of course, does not blame the Customs Service, which he says is doing the best it can to cope with the impact of a boom in international air travel at a time when the Federal Government is squeezing the budgets of all its agencies.

He is more inclined to find fault with airlines, both foreign and domestic, that are scheduling more and more incoming flights into American cities during a compact afternoon period, which overloads the service's capacity to process the arrivals. He says the guilt should be shared by airport managers who are eager to boost traffic and will not deny landing permits during the peak hours.

Airport administrators, in turn, charge that the Customs Service is creating unnecessary bottlenecks because it is unwilling to streamline its inspections and come up with new systems that allow it to meet its responsibilities and still expedite passengers.

And some of the responsibility must be shouldered, both sides agree, by a traveling public that with a little bit of preparation and information could sidestep the problems of congestion.

During certain peak traveling times, especially at Christmas and Easter, Miami International, as well as the Fort Lauderdale airport 25 miles up the Florida coast, can become so overloaded with domestic travelers that systems break down. (In Fort Lauderdale the major problem is the inadequacy of access roads to the airport and parking facilities, which creates suffocating traffic jams, making it impossible at times to reach the terminal on schedule to catch a plane.) The pre-Christmas advice from the airport administrator to travelers using the facility: "Stay home or drink three martinis before you come."

Toss in a winter snowstorm that closes northern airports and the situation can become chaotic. When a blizzard shut O'Hare for a weekend in mid-January Miami International looked like a refugee camp clogged with stranded travelers.

Under normal operating conditions the situation at the airport is tangled because of the boom in travel—particularly leisure travel—resulting from the deregulation of domestic airline fares and routing. In the rush to cash in on the December holiday period, two dozen new routes were opened into Florida destinations, and five new domestic airlines—Allegheny, American, North Central, Ozark and Piedmont—began flying to Florida for the first time.

Sixty-seven scheduled airlines, domestic and international, now operate out of Miami, and El Al and Lufthansa are scheduled to inaugurate service by April. At Miami, an airline or charter service does not need permission to land unscheduled flights or extra sections. This makes it difficult for the Customs operation to predict from day to day how many passengers will be streaming through the gates.

Jan. 7 is known around the cramped custom section at Miami International as "Black Sunday." Some 7,000 international arrivals were expected; 10,000 actually landed.

Incoming passengers were in some cases held aboard planes at the gates at the new international satellite terminal. When allowed to debark, they were forced to wait for long periods to board buses to the Customs facility at the main terminal. Next came long lines for immigration checks. Tired and short-tempered, they were herded into the Customs area with its three small carousels, where baggage either spilled onto the floor because there was no one there to claim it, or where dazed passengers waited endlessly for baggage that had been delayed somewhere along the backed-up system.

The small facility has only 13 customs inspection belts manned by a maximum of 24 inspectors—although budget cuts have made it extremely difficult to put that many inspectors on the line at any given time.

"If we were able to staff our counters fully, at the rate of 30 passengers to one inspector an hour—standard processing time per passenger is two minutes once he reaches an inspector—our maximum capacity is 720 passengers an hour at the Miami facility," Mr. Richardson explained. "But we frequently get 1,300 and 1,400 passengers an hour. What this means is that we have to make the passengers wait longer or speed up our process to move the passengers faster. We always opt for the latter or else the complaints would be so bad there would be a Congressional investigation."

The Customs facility is so small and the congestion so bad at times that even funneling people through to pick up baggage would cause long delays, he went on. In fact, he adds, when the jams present health problems to the fatigued travelers, inspections have been suspended entirely to unplug the airport.

The construction of a new customs facility is under way; it will more than triple the floor space and increase the number of inspection counters. But there is no assurance that long delays will be eliminated.

George Spofford, deputy director of the Dade County Aviation Department, which administers the airport, says: "Customs is under such stringent budgetary restraint that they're not getting the maximum use out of the existing facility. I'm not saying they're not doing the best under the circumstances, it's just that the whole service uses antiquated procedures that unnecessarily delay the international travelers. Immigration is just as bad. They're still looking up the names of American citizens in big old books that we used in the days of the clipper ships. We have two different Government services working independently of each other creating logjams of travelers."

Customs and immigration are currently cooperating on a "one-stop" test program at the Philadelphia airport; it consolidates immigration control and baggage inspection.

Critics, however, contend that only the European "red-green" system can end what they call the needless delays. Under that system, arriving international travelers who are citizens of the country being entered escape customs inspection entirely if they declare they have no duty to pay, and if the customs officials have no reason to suspect that a search is necessary. Michael Blumenthal, who is Secretary of the Treasury is responsible for the Customs Service, is said to favor such a system.

But this innovation poses problems for other Government agencies concerned with the flow of narcotics and other illegal substances into the United States. Miami is one of the major entry points for narcotics coming from countries regarded as major sources of drugs: Jamaica, Colombia, Panama, Mexico, the Bahamas, Peru, Brazil, Ecuador and Chile.

In January alone, customs officials in Miami arrested 137 travelers carrying cocaine, 602 with marijuana, 37 with hashish, in addition to making 15 currency seizures involving \$300,000 and 330 merchandise seizures valued at \$500,000. (The drug arrests are for possession of significant quantities of illegal substances, according to Customs officials, and do not include individuals detained momentarily but not charged for possession of small amounts of marijuana.)

"A lot of aliens entering Miami don't look upon smuggling as much of a crime," Mr. Richardson said while reviewing the set of problems faced by the Customs operation here. "Every day we get hundreds of travelers carrying wrapped packages containing gifts for relatives in the United States and they say they have no idea what's inside them. It slows everything down."

American travelers as a group are sophisticated about packing for trips and customs declaration, he added, and they therefore resent being held up by slow lines. He said most American travelers with one suitcase and carrying no hand baggage are routinely waved through inspection.

Unnecessary delays are also caused by failure to report all items on declaration cards; some travelers mistakenly believe that gifts presented to them abroad do not have to be declared, or that clothing purchased abroad and worn does not have to be declared.

The biggest problem, as he sees it, remains the scheduling of international flights into the arrival times between noon and 6 p.m., a landing period favored by the airlines because it allows passengers to make connections to other American cities so that they will be home in their own bed that night.

Ninety minutes is required for domestic connections with international flights, which sounds good when booked by a travel agent back home in Cincinnati, but which has nothing to do with the reality of waiting two to four hours to clear Customs on a busy weekend afternoon in Miami, or on Thursdays and Fridays, which can be just as bad. Connecting flights are missed and the traveler cannot get out of Miami until the next day, or even later.

The summer months are even worse so far as international flights are concerned, with an average of 8,000 passengers arriving in Miami every day of summer from June to September, when delays at Customs at the peak afternoon times average two and a half hours.

The new Customs facility should help improve matters, but it will not be ready for occupancy until the end of the year.

So international travelers who will be arriving in Miami for the rest of 1979 would be wise to schedule their trips so that they land here on a Monday, Tuesday or Wednesday, before 11 a.m. or after 6 p.m. If they must travel on the peak days during peak hours, reservations for connecting flights to other cities should allow a minimum of three hours to clear Customs, though some lucky passengers can always manage to hit the holes in the schedules that get them through the ordeal in less than an hour.

But that is not likely, especially during the summer months ahead. "It's going to be tough this summer, very tough," said the airport deputy administrator, Mr. Spofford. "I wouldn't be helping anyone by misleading them about the delays that face them."

That is one point on which the Customs official, Mr. Richardson, can agree. "This summer is going to be hell for us and the tourists," he said. "If the overseas traveler has a choice, tell him to stay out of Miami between noon and 6 p.m."

[From the Los Angeles Times, July 16, 1978]

PUSHING, SHOVING NIGHTMARE: CUSTOMS BECOMING BAD HABIT AT LAX

(By Linda Grant)

Overseas travelers arriving at the Los Angeles airport these days frequently endure delays and chaos at customs that leave them bewildered, exhausted and furious.

"This is horrible," said an outraged Trans World Airlines attendant one day last week. She was helping 300 passengers, jammed check-by-jowl in the tiny customs terminal, struggle with heavy bags after an overseas flight. "I've seen old people burst into tears and cry out that they want to go back home to Europe."

Chimed in a customs inspector, "What a mess. Can you imagine this as a first impression of the United States?"

The customs crunch builds to a peak each evening from about four to seven, when up to ten huge jetliners can arrive from points around the globe ready to disgorge several thousand passengers.

All too often, however, the U.S. customs facility—built in 1960 to process a maximum of 500 people an hour—is so crammed the travelers can't even get off the plane. They must remain confined to their seats anywhere from a few minutes to one and a half hours.

When finally released, these people often face a nightmare of pushing and shoving to reach their bags. Then they must lug them to inspecting tables and submit to protracted searches.

"We have people screaming at us, cursing, jumping up and down," says Robert Iversen, western regional vice president of TWA.

The crush stems basically from three problems. First, competitive airlines schedule their departures from such tourist centers as London, Paris, Tokyo and Rio de Janeiro, close to one another, at times convenient for passengers. The result: a battery of them all arrive about the same time.

The scheduling jam is aggravated by the unpredictability of international travel. Flights not only arrive late, they can also arrive early. Although customs, which assigns landing times on international flights, theoretically spaces arrivals by 30 minutes, its orderly procedure is constantly overwhelmed by such things as weather around the globe.

Second, facilities at Los Angeles International Airport have failed to keep pace with the city's growth as an international airline port. The airport is now the third-busiest in the world; it processed 28 million people last year. That's a 28 percent increase since 1972, but it's only part of the story. International traffic has skyrocketed 75 percent during that period to a total of 3.3 million passengers in 1977. About half are arrivals who must clear customs in Los Angeles.

Despite such hectic growth, the international terminal has remained the same size it was nearly 20 years ago. The customs area—which must be provided by the airport—is about half the size required.

Finally, outmoded customs' procedures, such as searching nearly every passenger's luggage only add to the irritation and delay inflicted on travelers.

"The United States has the most antiquated system I've ever seen in my life," exclaimed the airport manager of an international airline who asked that he not be identified for fear his airline might suffer discriminatory treatment. "Last

week a woman returning to the United States came to me, a foreigner, limp from what she called the rudest welcome home she'd ever experienced. She'd had a long wait and a thorough search. Customs officials should realize they are front-line ambassadors."

In response, harried customs officials point out that they are burdened by an unwieldy duty schedule that requires complex assessments on goods bought overseas. They are also entrusted with the interdiction of narcotics—which they claim are smuggled by such unlikely sorts as the proverbial little old lady. In addition, they must enforce more than 200 laws administered by 40 agencies dealing with such goods as stuffed animals, pornography and foodstuffs.

Travelers to Los Angeles have encountered crowds at customs for years, especially when summer tourism peaked. But last spring an already bad situation became nearly intolerable.

New cut-rate fares caused airline traffic to explode. During May, Los Angeles customs processed 135,000 people, a stunning 35 percent increase over the year before. To accommodate everyone, airlines have moved to larger aircraft, which means more people per flight, plus additional planes, which means for traffic.

The situation has led to something of a black comedy at the international terminal's 10 gates. Several airlines have instructed their captains to beat out competition for gate space whenever possible, to avoid being sent to a nearby ramp where they must wait until the others have cleared. Says the airport manager of the international airline, "We're all in a race for the gates. I've seen one carrier just barely nose out another. And you can believe we've instructed our skippers to get people off these planes as soon as possible."

TWA recently nosed out a Pan American World Airways plane for the coveted spot, only to learn later that the Pan Am passengers had already suffered a five-hour delay out of Tokyo. After their 10-hour flight, the exhausted travelers ended up waiting yet another hour and a half just to get off the aircraft.

Once inside the terminal, passengers confront confusion aggravated by a construction program begun last January that will eventually increase the number of people capable of being processed by about 60 percent. At times passengers must thread their way through a narrow corridor over temporary planks to reach the only cash register in operation. (Customs occasionally shuts down a second one.) Construction has cut into the pitifully small space so much that during the worst times, baggage piles up in front of counters where it was examined and extends all the way to the exit. Porters can't deal with it all; as a result people are stuck, unable to climb over the mountain of bags.

The situation may get worse before it gets better. Los Angeles has recently attracted new service from such airlines as AeroPeru, Air Panama International and KLM Royal Dutch Airlines. Twenty-five international airlines now fly into the area and others are sure to follow.

The new arrivals are trying to schedule around peak hours, and many have agreed to clear passengers at a second customs facility in the Western Airlines terminal, where charter groups clear. But that area is extremely limited—it has only two gates, compared with ten at the international terminal—and cannot significantly ease the strain. In truth, there is not enough space at the airport to add many more big operators such as Freddie Laker's Laker Airways Ltd. (originator of the low-cost Skytrain from New York to Britain) which is hoping to start service in the fall.

In addition, the construction program will not be completed until the end of 1979, which means that confusing conditions will prevail for at least 18 months more.

Because of soaring traffic, the renovation will only bring the facility back to overcrowded conditions it faced before construction began. Says an official of British Airways, "It will be better than nothing. But meanwhile we will go through two years of agony."

For the present, it appears that none of the three parties to the problem—airlines, the airport, and U.S. customs—have plans to substantially alleviate the traveler's burden. Perhaps because no single one of the three is in charge, none is devising an overall solution.

The airlines say that as long as they must compete for passengers, they will continue to schedule for convenient departure.

Airport officials say they can only peck away at modifications within the terminal, because external expansion requires approval by federal and state environmental authorities. Plans drawn up a decade ago for a new international airport at Palmdale have been delayed indefinitely by extensive environmental studies. A program to enlarge the existing airport has been stymied since 1972 by similar requirements. According to Los Angeles International Airport Deputy

General Manager William Schoenfeld, another two and a half to three years will pass before any significant expansion at the international terminal can be completed.

Customs says that by adding 25 inspectors since June—which brings its total to 80—the service has done about all it can. Thomas N. Teela, director of airport operations for the U.C. Customs Service in Los Angeles, points out that the service has recommended changes in U.S. law. It has asked the International Trade Commission, which establishes duties, to simplify the process by levying a flat 10 percent rate on all goods. The service has also recommended to Congress that the value of goods Americans are allowed to purchase abroad be raised from today's \$100 to at least \$500.

However, Teela and other customs officials do not endorse procedures that have made travel in the rest of the world easier and simpler. With the so-called "red light-green light" system in Europe, passengers make only an oral declaration. If they declare nothing, they walk out with baggage uninspected. Spot checks, with heavy penalties imposed on cheaters, keep travelers honest.

Teela acknowledges the need to speed up procedures. To that end, he says, customs will install a new process in Los Angeles this fall that will expedite most passengers with searches of hand luggage only. Those who must be thoroughly searched will be pulled out of the express line to a separate area.

For the balance of the summer, however, Teela predicts little relief. "We can't waive any laws," he says.

Perhaps, the easiest way for Los Angeles residents to escape the customs jam is to avoid their own airport. "I'll clear customs in New York, Seattle, San Francisco—anywhere but Los Angeles," growls one seasoned traveler.

[From the Los Angeles Times, July 23, 1978]

Letters:

TRAVELER'S WORST ORDEAL: LAX CUSTOMS

Will you get letters!!! (Customs Becoming Bad Habit at LAX, Outlook, July 16) Our lax LAX Customs, which is the worst ordeal I have encountered in all my travels.

As a 73-year-old who goes abroad for months at a stretch, I have several pieces of luggage. Last July 1, a man actually helped to snare my things, but there was no room for me to back off to put each one in a row. If a piece goes by, there is no sign saying where to look. I found it does not go around again, as at the luggage drop, but someone has removed it at the end of the line. Then try to wade through the press of passengers!

After 11½ hours in the air, it is a dismal homecoming. I am sad there is no prospect of improvement so will be obliged to use a different service than TWA, and will fly to Vancouver and go through customs at Seattle. It couldn't possibly be worse than LAX, or could it?

P.S.—I am ashamed to invite friends from England to visit me, and have them go through the agony LAX keeps on presenting. I must tell them to come by a different route.

Mrs. WILLIAM DENMAN,
Palos Verdes Estate.

By profession, I am an importer. I have traveled extensively throughout the world, and passing in and out of United States and foreign customs inspections is second nature. Since I am based in Los Angeles, I am well familiar with the problem that exists at LAX.

What was hinted at in Sunday's article, but not fully exposed, is what I consider the main source of aggravation: Rude customs officials who consider the traveler a guilty criminal until they most begrudgingly prove him innocent. Nowhere in the world are customs officials as consistently offensive as they are here.

As an importer, I totally support our government. My company pays thousands of dollars in duty every year for the privilege of purchasing merchandise overseas. I am certainly not going to jeopardize my business and career by failing to declare anything I bring through a border. Yet, every single time I go through LAX I get harassed. My last experience coming through was sad: The customs official, who suspected me from across the room, came over and escorted me off to two women who then turned my sox inside out, counted my money, checked

the soles of my shoes, etc., and did not even consider the idea of finishing the job of going through my bag!

The problem of overcrowding at LAX is secondary—that exists at many other American airports. The trouble here is with inefficient officials who carry nasty chips on their shoulders, and feel as though they have to make the travelers wrong so they can be right. What Customs officials (at LAX) ought to do, perhaps, is step aside for a moment and look to see who's buttering their bread. A little humility on their part would go an awfully long way.

MICHELE MARON, *Los Angeles.*

[Whereupon, at 12:15 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATEMENT OF THE AMERICAN IMPORTERS ASSOCIATION

The American Importers Association (AIA) welcomes the opportunity to offer comments on the authorization of appropriations for the U.S. Customs Service for fiscal year 1980.

The American Importers Association is a nonprofit organization formed in 1921 to foster and protect the importing business of the United States. As the only association of national scope representing American companies engaged in the import trade, AIA is the recognized spokesman for importers throughout the nation. At present, AIA is composed of nearly 1,300 American firms directly or indirectly involved with the importation and distribution of goods produced outside the United States. Its membership includes importers, exporters, import agents, brokers, retailers, domestic manufacturers, customs brokers, attorneys, banks, steamship lines, airlines, insurance companies, and others connected with foreign trade.

In this statement we will address two issues: (1) The need to increase Customs resources and personnel to match the growing volume of trade and the continuing expansion of Customs workload mandated by Congress and the President; and, (2) OMB's proposal to require the deposit of duties at the time of entry in violation of the spirit, if not also the language, of Public Law 95-410, the Customs Procedural Reform and Simplification Act of 1978.

I. THE CUSTOMS SERVICE RESOURCE REQUIREMENTS

There is no need to describe to this committee the continued growth of both imports and exports for the United States. As trade has expanded (more than three million separate entries were made in 1978), many new statutory responsibilities have been placed on Customs. New Orderly Marketing Agreements have been put in place (for televisions, footwear, and renewed textile agreements); new goods have come under quota (specialty steel); new control programs have been put into effect (chrome and chrome products from Rhodesia, fees on sugar and sugar products); greater demands are being made for statistical accuracy (more than 2,000 entries a month are returned to Customs for correction, according to Census); and entirely new laws with attendant Customs responsibility have been passed (e.g. Toxic Substances Control Act, Endangered Species Amendments). Not only has the number of antidumping, countervailing duty and escape-clause cases ballooned, but the cases have become increasingly more complex, and Congress is now considering drastic reductions in the time available for Customs to make the necessary investigations.

With this increased workload, Customs should have been permitted to increase its allocation of manpower and resources for normal trade-oriented functions. Just the opposite has happened. What few increases in funding and employment for Customs have been allowed are disproportionately directed to smuggling and drug-related enforcement functions.

Among all federal agencies, only Customs acts as a direct participant in international commercial transactions. To the extent that Customs has the resources to act on those transactions in an expeditious and predictable manner, it facilitates trade; to the extent it must delay any of its required responses, it impedes commerce. At a certain point its delays can become a nontariff barrier and actually impede economic growth in this country.

In this context we are disturbed that Customs' proposed budget does not allow for an increase in personnel to handle the expansion of trade and Customs' administrative mission. Since we believe that Customs' commercial side should be growing, we are dismayed to hear reports that both Headquarters' commercial personnel allocations and the number of commodity specialists in the ports are being reduced substantially. These cutbacks only exacerbate the problems importers now have in obtaining timely rulings, expeditious transaction processing, and adequate attention to appeals. Numerous meritorious projects Customs has initiated or contemplated for improving its efficiency and enlarging its ability to counsel and serve importers reportedly are being put aside as Customs reallocates its manpower solely to keep current on its most pressing functions. The American economy, the American businessman, and the American consumer, as well as Customs, are the victims of these budgetary cutbacks.

Congress has heard much of the Customs Service's needs on the enforcement side in past years. Little mention has been made of the need to provide adequate staffing on the commercial side. Customs has never been flush with personnel to accomplish the many difficult and technical tasks involved in processing imports.

We urge this committee to consider seriously increasing the Customs Service budget for executing its commercial mission. To this end, we stand ready to provide as much information and assistance as you find useful, now and in the future.

II. EARLY DEPOSIT OF DUTIES AND P.L. 95-410

These general comments are directly related to our second, more specific, issue. Subsequent to the passage of Public Law 95-410, the Customs Procedural Reform and Simplification Act of 1978, the President's Office of Management and Budget proposed that the Customs Service collect estimated import duties and related charges either at the time imported merchandise is released from Customs custody or within three days of release. This proposal, which OMB suggests will save the Government \$7.3 million annually in interest costs, is one sided in its approach and outrageous in the timing. Not only does it fail to consider the resultant costs of its implementation both to the Government and to the importing community but it flies directly in the face of the Congress's recent directive in Public Law 95-410 that Customs modernize its duty collection procedure.

AIA has prepared a detailed memorandum for the Office of Management and Budget which covers the major arguments against OMB's proposal. That memorandum and OMB's response dated January 22, 1979, is included with this written statement.

OMB's proposal has several major faults. First, AIA does not need to tell this committee that this proposal does not correspond to the modernized system for processing merchandise and collecting duties which the Congress had in mind and authorized in Public Law 95-410.

Second, OMB's proposal carries an alarming potential for disrupting commerce. For estimated duties to be collected prior to release means that detailed information relating to the classification and appraisal of imported merchandise be available when entry is made so that the amount of duty collected is as nearly as possible correct, that is, sufficient but not excessive. Unfortunately, the documentation which carries this information rarely is at hand when the goods are released. Customs recognized this problem years ago when it adopted its "immediate delivery" system for use on most shipments. If duties must be deposited upon release or even within 3 to 5 days after release, importers will be able to comply only by delaying the filing of the entry. This means that goods will have to be left on the docks for longer periods of time thus increasing the opportunities for pilferage and spoilage. In addition, the importer will incur increased demurrage charges. And, of course, this increased port congestion will lead to delays in distribution. All of these are large social costs which must be balanced against the relatively small savings the government will realize.

The U.S. Government exists to serve the American people and not as an end in itself. While Customs primary mission is to collect customs duties and enforce applicable regulations, it must perform this mission in a manner which balances competing needs of the American people including American companies. While it properly should perform its mission at the lowest possible cost, sometimes costs must be incurred to allow its actions to be as minimally disruptive as possible.

It is in this sense that government cannot always perform with the same eye to a balance sheet as a corporation. AIA suggests that the loss of this relatively small amount that OMB is trying to save, is one of these costs. OMB, in urging this proposal, is not only being "penny wise but pound foolish." It is also disregarding this service side of the government's function. We feel that this \$7.3 million is a necessary cost of governing. To disrupt the commerce of the United States at high cost merely to save this amount is to do a disservice to a large segment of American business.

Third, we do not see how this proposal can be administered by Customs without resulting in a need for more Customs personnel. Customs is now struggling with too few people. The proposal will only make it more difficult for Customs to properly administer its increasing responsibilities.

In our memorandum we also discuss why we believe the proposal may not materially improve Customs' cash management position and will probably result in a net revenue loss. Lastly, but perhaps of ultimate importance today, the proposal is certain to add to existing inflationary pressures. If \$7.3 million is accurate, OMB merely shifts this cost to importers and brokers, where it will be "marked up" for profit and overhead at each stage in the manufacturing and distribution chain. The inflationary impact of this shift, therefore, is many times greater than the government's interest cost.

We would like to respond at this point to the reasons OMB gave us for continuing to advocate this proposal.

OMB relies on out-of-context statements in the legislative history of Public Law 95-410 to argue that their proposal is consistent with the purpose of the act. It is our understanding, however, that the Congress was anxious for Customs to review their internal cash management procedures. Customs has taken several internal actions which have resulted in earlier deposit of moneys collected. OMB's proposal, however, addresses an external cash management function on which Congress had already given Customs a contrary mandate.

It is also our understanding that while section 103 of Public Law 95-410 permits Customs to require the deposit of estimated duties at any time from time of entry to some time up to 30 days after entry, Congress enacted that language to extend the time in which Customs could require the deposit and implement its proposed Automated Merchandise Processing System (AMPS). To read that section as meaning that the time for deposit was to be shortened makes the extension of the previous 10-day maximum to 30 days utterly meaningless.

OMB further relies on a report of the Comptroller General to buttress its arguments. That report, however, does not discuss any of the problems we raise in our memorandum. At best it only repeats the one-sided dollar calculations on which OMB bases its proposals. It certainly is not a balanced cost-benefit analysis.

OMB states that the documentation available for making entry is sufficient for calculating accurately the estimated duties. That assertion is simply not true. Congress recognized this problem when it enacted Public Law 95-410. Customs also has long acknowledged this fact under its old "immediate delivery" system and carries forth this recognition in the regulations it proposed to implement Public Law 95-410. Such documentation is to be filed within 10 days after entry when the so-called "entry summary" is filed. OMB's statement demonstrates graphically its lack of understanding of the entire entry procedure and of the realities of international trade.

Finally OMB states that it does not intend to hinder or delay trade. Again it fails to perceive the mechanics of the process. As we stated before, without adequate documentation at hand, the importer can only postpone entry until he knows he can provide adequate information. This delay impedes the movement of goods. AMPS, Customs' new automated entry procedure, authorized by Congress in Public Law 95-410, anticipates separating duty payment from the entry and movement of goods. This was to be accomplished by a later, not an earlier, deposit of duties. Moving the deposit date forward in the process only binds it more tightly to the process of entry and to the movement of goods.

The House Ways & Means Trade Subcommittee considered OMB's proposal in the context of Public Law 95-410 during its authorization hearings for the Customs Service last February. Its report on the authorization bill contains language criticizing the OMB proposal for contravening the intent of Public Law 95-410, as follows:

Such a proposal, if implemented, would amount to a disregard of clear legislative intent, as well as a contradiction of testimony presented before

the Trade Subcommittee last Congress. *The committee wishes to state its strong disapproval of such a proposal, and that it will not accept any alternative collection scheme which violates the spirit of Public Law 95-410.*

(Authorization of fiscal year 1980 Appropriations for the U.S. International Trade Commission and the Customs Service, H.R. Rep. No. 96-62, March 21, 1979, at 10.)

AIA is encouraged by that statement and asks this committee to adopt an emphatic reaffirmation of intent for Public Law 95-410 so that this regressive proposal, or alternative proposals along this line, is ensured the burial it deserves. We feel that much of the enormous amount of time and thought that this committee and the Congress expended in the enactment of Public Law 95-410 will be made meaningless if this proposal is put into effect. We are asking you today to help ensure that the purpose of Public Law 95-410 be carried out.

III. CONCLUSION

We have referred throughout this statement to the importance of providing Customs adequate resources to deal with their ever increasing mission and workload. We appeal to this committee to keep in mind when reviewing Customs' budget the enormous task Customs has in verifying the classification, valuation and documentation for more than three million entries of more than \$150 billion worth of merchandise. Customs has done an extraordinary job in keeping trade flowing, given all of its many responsibilities and problems. We urge the committee to assure that the resources and manpower will be available to continue that service, as trade volume grows ever-larger, and ever-more important to our economy and to the world.

COLLECTION OF CUSTOMS DUTIES

The Office of Management and Budget ("OMB") has proposed that the Customs Service collect all import duties and related charges at the time imported merchandise is released from Customs' custody. This proposal, if implemented, would:

- (1) nullify the intent of Congress;
- (2) disrupt commerce;
- (3) require an increase in Customs personnel;
- (4) not materially improve Customs' cash management;
- (5) probably result in a net revenue loss; and
- (6) add to inflationary pressures.

NULLIFY INTENT OF CONGRESS

It is ironic that this proposal surfaced just 30 days after President Carter signed the Customs Procedural Reform and Simplification Act of 1978 ("the act"). One of the major objectives of the act is to permit Customs to develop more efficient and flexible procedures for handling the documentary and financial aspects of import transactions. Congress changed the law specifically to give Customs the authority to separate the flow of documents from the actual collection of money. This change was deemed necessary to permit Customs to cope with the dramatic increase in the number of importations which it must process. In contradiction of its previous approval of the very legislation which authorizes such flexible procedures, OMB by its proposal will make it exceedingly difficult to achieve this objective.

Prior to its amendment by the act, section 484 of the Tariff Act of 1930 (19 U.S.C. § 1484) required that estimated duties be paid prior to release of merchandise from Customs' custody and within 5 days of arrival. However, for its own convenience and to facilitate the movement of goods, the Customs Service under its "immediate delivery" procedure has been permitting imported merchandise to be released from Customs custody up to 10 days prior to the deposit of estimated duties where such would pose no threat to the revenue. (19 C.F.R. Part 142).

This practice was ratified by Congress in the act. Section 103 of the act completely divorces the movement of imported merchandise and paperwork from the payment of duties and permits the deposit of estimated duties at a time, not exceeding 30 days, subsequent to entry or release. The purpose of this provision, which was closely and extensively studied by Congress over a 3-year period, is to permit Customs to handle import transactions more efficiently by abandoning

the traditional entry by entry approach to import processing and by adopting periodic payments and reconciliations. (S. Rep. No. 95-778, 96th Congress, second sess. 5-11 1978). The OMB proposal runs directly contrary to the will of Congress.

DISRUPTION OF COMMERCE

The most alarming element of the OMB proposal is its potential for disrupting commerce with costs to the public and the government far greater than any benefit possibly derived.

The prescription that duties to be collected before the goods can be released carries with it the requirement that detailed information relating to the classification and appraisal of imported merchandise be reviewed as part of the release procedure and before the duty is accepted. This is necessary to ensure that the deposit of estimated duties is sufficient.

This suggested procedure, which, in essence, requires a return to "live" entries, in which all necessary documents are filed and estimated duties deposited before the imported merchandise is released from Customs custody is the very method of Customs clearance which was abandoned as unworkable more than a decade ago because of its adverse effect on commerce. Customs substituted its immediate delivery procedure for the old live entry procedure in which all necessary documents were filed and estimated duties deposited before the imported merchandise is released from Customs custody because the live entry procedure did not allow Customs to handle efficiently the volume of goods presented to it. The volume of importations has grown enormously since then, and Customs' reasons for the change are only more valid today.

The almost certain result of a reversion to a live entry procedure is chaos, delay, and financial loss. The documents which contain the classification and appraisal information usually are not at hand when the goods are available for release. (Indeed, this unavailability of entry documents was a primary reason for abandoning the live entry approach.) The immediate effects of implementation of the OMB proposal are frightening. Customs now processes more than four million entries annually. As more time is taken with each entry before permitting its release, merchandise will become piled up in the ports. This congestion, which in itself will be a most serious problem, will lead to increased demurrage charges to importers and to delays in distribution. The congestion, of course, will also delay export shipments. Additionally, our members' experience, when they increase their use of airports during dock strikes, is that backlogs in cargo movement cause a dramatic increase in pilferage. These are large social costs to balance against the mere \$9-\$10 million government savings of the OMB proposal.

The almost certain result of a reversion to "live" entries is delay.¹ The documents which contain the classification and appraisal information usually are not at hand when the goods are available for release. Indeed, this unavailability of entry documents was the primary reason the live entry approach was abandoned. Port congestion, accompanied by increased pilferage, increased demurrage costs and delays in export and import shipments, will be the immediate result of the OMB proposal.

That Customs will be forced to review entry documents in some depth prior to release will add to the disruption of commerce. Past experience suggests that as many as 25-30 percent of document packages will not be accepted as tendered. If goods covered by such documents cannot be moved from docks, airports and border crossings until corrected documents are available, it is obvious that congestion will be made even worse. Furthermore, Customs personnel will be under intense pressure to expedite review of the documents. This will mean either a less intensive entry review, thereby endangering the revenue, or an increase in Customs manpower to handle the workload.

CUSTOMS PERSONNEL

If the time required to process these corrected documents is as little as 5 percent of Customs' current merchandise workload, it would mean a \$10 million increase in expenses to maintain overall activities at current levels. A budget increase of this magnitude is unlikely. Indeed, Customs has been directed to

¹ See Bureau of Customs, "Mission Organization Management" pp. vi-6, 7 (1964) (The "Stover Report"). The Stover Report recommended that duties be accepted subsequent to release as a means of improving Customs efficiency.

reduce staffing levels. In view of the widespread public and congressional concern about the Service's ability to discharge its many statutory responsibilities with its current resources, any proposal which would require extra manpower and hinder efficiency must be subjected to a detailed cost-benefit analysis. Further, a return to live entries is likely to result in many more "change" liquidations, an additional drain on Customs' limited resources, and an additional cost to importers.

CASH MANAGEMENT

The purpose of the OMB proposal is to improve the government's cash flow by collecting duties earlier than is now the practice. It is questionable that the proposal will have the desired effect. OMB's assumption is that merchandise will continue to be released in the same time period as under current procedures—2 to 4 days after the aircraft or vessel arrives. However, as is pointed out above, the requirement that estimate duties be paid prior to release is likely to result in a return to live entries with the payment of duties and release of goods occurring 5 to 10 days after the aircraft or vessel arrives. Thus, the government will not necessarily receive duty payments earlier in any absolute sense. Payment will be earlier only in relation to the date of release.

NET REVENUE LOSS

Assuming a system that did not disrupt commerce but "simply" resulted in a greater number of entries requiring correction or change liquidations (liquidations with increases or deductions from the estimated duty which was deposited), the proposal's "savings" become illusory.

If only an additional 15 percent of entries require Customs processing as change liquidations (at present 70 percent of entries are liquidated no change), the cost to Customs would exceed the savings promised for the OMB proposal. This is based on our conservative estimate that the cost of processing a change liquidation is \$20 greater than processing a no change liquidation. Assuming 4 million entries in 1979 the additional cost to the government is \$12 million.

Further, the change liquidation requires additional expenses on the importer's part. It is our best judgment that the cost to importers and brokers of processing supplemental payments and refunds in connection with change liquidations is at least \$50 per occasion. The attendant costs are far greater than simply a bank deposit charge or the cost of typing a check. These estimates indicate an additional cost to the private sector of \$30 million which would reduce the tax on profits by \$10 million.

The effect of the OMB proposal on the business community, including importers, customs brokers, stevedores, warehousemen, and truckers and its relation to the revenue as a whole, must be carefully considered. For example, if because of additional interest, demurrage, and administrative expenses, the proposal results in an increase in the total cost of imports by as little as one one-thousandth (0.1 percent) and if those costs were completely borne by importers, federal income tax revenue could be reduced by more than five times the estimated \$9 million of annual interest cost savings. Imports in 1970 are likely to reach \$150 billion; a one one-thousandth increase in their cost would amount to \$150 million. Assuming that these additional costs are borne by the importer, the indirect costs of the proposal would significantly exceed estimated savings since the additional costs would reduce profits by an equal amount and therefore reduce income taxes due. Assuming an average profits tax rate of 35 percent a \$9 million interest cost savings from accelerated duty collection would be offset by a \$50 million reduction in profits tax collection.

The OMB proposal would increase importers' administrative costs, reduce tax income, and increase Customs' expenses. The likelihood that the reduction in tax collections and increase in Customs expense would offset any government savings in interest is very real.

INFLATIONARY IMPACT

It must be pointed out that the increased expense to business will not be absorbed by importers where it can possibly be passed on to retailers and consumers. Whether these costs are occasioned by the interest expense of earlier payments or by increased administrative expenses, they will be included in the cost of merchandise multiplied by overhead and profit and then multiplied in the same manner at each turnover in the distribution scheme. For consumer goods, it can be safely assumed, each dollar of added cost will add two to three dollars to retail price; in the case of industrial goods, by the time the import reaches the

ultimate consumer, for example, imported steel in a refrigerator or automobile, the inflationary impact will be far greater than two or three dollars as the article goes through more hands in manufacture, distributor and retail, each adding additional overhead and profit.

Further, since it is generally conceded that imports act to restrain domestic prices, any increase in the selling price of imports is very likely to be followed by comparable increases in domestic prices thereby exacerbating the inflationary spiral.

Assuming a \$150 million increase in the total cost if imports and assuming that this increase is passed on to retailers and consumers, the cost to consumers easily could exceed \$300 million, a high price for a projected "saving" of \$9 million.

CONCLUSION

Earlier payment of duties is not the import community's primary objection to the OMB proposal. What is of most concern is the delay in movement of goods likely to result from the proposal. The Customs Service, for some time, and more recently the Congress, have wisely recognized that there is no reason why credit-worthy importers cannot take possession of their goods prior to filing necessary documents and paying duties. The OMB proposal would abandon this common-sense approach to the detriment of all concerned.

It is suggested that most effective resource management activity now available to the Customs Service is the installation of the Automated Merchandise Processing System (AMPS). The Congress recognized the desirability of proceeding with this program in passing the Customs Procedural Reform and Simplification Act, and accepted the attendant separation of duty payments from merchandise release to accomplish the objectives of AMPS. We suggest that the introduction of AMPS with its improvement in the quality of both Customs' clearance procedures and its statistical reporting on the approximately \$150 billion annual import total will contribute more to government's quest for budgetary efficiency than reimposition of "cash on the barrelhead" duty collection procedures.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., January 22, 1979.

Mr. GERALD O'BRIEN,
Executive Vice President,
American Importers Association Inc.,
420 Lexington Avenue,
New York, N.Y.

DEAR Mr. O'BRIEN: Thank you for your letter of December 19, 1978, concerning the cash management proposal of the U.S. Customs Service and the reorganization project.

You state that our cash management improvement proposal is contrary to the intent of the Customs Procedural Reform and Simplification Act of 1978. You also state that our proposal may disrupt the flow of commerce and retard the flow of imported goods. Since you note that the earlier payment of duties is not the primary objection to the proposal, let me take this opportunity to address your other concerns.

The earlier collection of estimated duties is consistent with the intent of the Act. First, in Senate Report 95-778, the committee, in discussing the time for deposit of estimated duties, expressed concern about the possible imputed interest cost of the system to the government and stated "for this reason, the committee expects Customs to review its cash management procedures." Secondly, that same Report stated, "the House bill would permit the deposit of estimated duties either at the time of making entry or at some time within 30 days after entry, as prescribed by regulation." Finally, the Report stated, "an entry will consist of: (a) a document similar to the current immediate delivery release (b) a commercial invoice, (c) a packing list where appropriate, and (d) other documents which may be required on a particular shipment. Thus, the current immediate delivery procedures become the 'entry procedure'." The General Accounting Office (GAO) in a report, "Import Duties and Taxes: Improved Collections, Accounting, and Cash Management Needed," dated August 21, 1978, suggested, as do we, that the estimated duty payment be made at time of immediate delivery release or an assessment of interest be made from that point until payment. Further, the documentation for the immediate delivery procedure is sufficient for computing the estimated duty.

We agree that payment of duties can and should be separate from the movement of the goods as was intended under the Act. We, therefore, feel that the immediate delivery release should continue so as not to affect movement of the goods. The earlier collection applies to the initial payment of duties, which is an estimate and does not in any way dictate a hindrance or slowing of trade. As you know, the Automatic Merchandise Processing System (AMPS), which was a central feature of the Act, provides for the collection of duties and movement of goods as separate events. Therefore, the estimated collection can occur at any time in the AMPS cycle with a periodic reconciliation of the estimate to actual and "settling-up" of the difference. The estimated collection followed by the periodic reconciliation is addressed extensively in the Act and the legislative history.

Again, thank you for your interest.

Sincerely,

JOHN P. WHITE,
Deputy Director.

