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OVERSIGHT OF MANAGEMENT CHALLENGES AT THE U.S. CUSTOMS SERVICE

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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OVERSIGHT OF MANAGEMENT CHALLENGES AT THE U.S. CUSTOMS SERVICE

THURSDAY, APRIL 20, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM
Long Beach, CA.

The subcommittee met, pursuant to notice, at 10 a.m., in the Board Room, Port of Long Beach Administrative Building, 6th Floor, 925 Harbor Plaza, Long Beach, CA, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Becerra.

Staff present: J. Russell George, staff director and chief counsel; Randy Kaplan, counsel; Bryan Sisk, clerk; Ryan McKee, staff assistant; Bonnie Heald, communications director; Connie Szeibel, district staff director; and Devin Storey, intern.

Mr. HORN. A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

The purpose of today's hearing is to examine a variety of challenges facing the U.S. Customs Service. The Customs Service has a wide-ranging mission to ensure that all imports and exports comply with U.S. laws and regulations. Originating in 1789, the year of the first Congress in New York City, it is the oldest Federal agency within the executive branch of our government. In fact, until the income tax was implemented during the First World War, our government was funded entirely by Customs' duties.

This year, it is estimated that $2.6 trillion in merchandise will be imported into and exported from the more than 300 ports in the United States. In addition, close to half a billion people will enter the country through U.S. border crossings this year.

The Customs Service is responsible for processing those people, their baggage, and all cargo and mail that crosses the Nation's borders. Customs collects the appropriate duties, excise taxes, and fees on all merchandise entering the country. Next to the Internal Revenue Service, Customs is the second largest revenue-producing agency in the Federal Government, returning more than $22 billion each year to the U.S. Treasury.

Customs also has a major enforcement role. The staggering growth in world trade over recent years has been accompanied by an equally dramatic increase in the smuggling of illegal drugs, weapons, printed, intellectual or pirated intellectual property, and in some instances, human cargo. Each region of our country faces

unique threats based upon the nature, volume, and origin of the cargo it receives.

Customs employs nearly 20,000 people to process and inspect the cargo of more than 300 ports around the country. However, as this subcommittee has learned during previous hearings, the Customs Service does not have a system to determine how to match its staffing resources with its enforcement and inspection responsibilities.

In September 1998, Customs contracted with a private consultant to develop a resource allocation model. This model would serve as a tool to assist management in making staffing decisions and preparing budget requests. The resource allocation model was delivered to Customs over 1 year ago. We are all interested in learning what staffing levels the model predicted would be appropriate, and how Customs intends to use this information.

In addition to the three source allocation model, Customs is delivering and developing a new import processing system called the Automated Commercial Environment [ACE] system. It is no secret that Customs needs to modernize the way it processes trade. The agency's current approach to enforcing trade laws and regulations, and assessing and collecting import duties is outdated. It is neither responsive to the needs of Customs nor the needs of its commercial clients. The present system, developed more than 16 years ago, has experienced frequent breakdowns and have delayed the flow of data and cargo entering the country. The Automated Commercial Environment, ACE system will streamline the commercial import process and increase the quality of service to its customers—the trade community. We are interested in learning how well Customs is managing the acquisition and development of this multi-billion-dollar system.

In its enforcement role, Customs is currently using some advanced technology, including x-rays and hand-held sensors to detect illegal smuggling. Nevertheless, illegal smuggling remains a significant problem. Today, we will hear about a new project that could enhance this enforcement effort for Customs and its partner, the Immigration and Naturalization Service, and could expedite the processing of people and cargo entering the country.

I would like to thank the Port of Long Beach for hosting us today and for their help with the preparations for the hearing. I also welcome Representative Doug Ose who represents the Sacramento area and north of it, who is also a very distinguished member of this subcommittee and we appreciate him joining us here. He's done a great job on many of the hearings that we've had in Washington, and we're delighted to see him in southern California. And Representative Xavier Becerra, who is well known to those from this area, without objection will be sitting with this panel and have all the rights and responsibilities of a member of this investigating committee. I ask unanimous consent that he be permitted to join the subcommittee for today's hearing. Without objection, it is so ordered, and we welcome our witnesses, and we look forward to your testimony.

Your full statement goes in the record, please don't read your full statement. We've all read it. What we are interested in is dialog with the witnesses and in others on the panel, too. So, we would

welcome your summary, and do it from the heart and look us in the eye, and we'd appreciate it.

Now, we are going to swear in the witnesses, since that's our tradition in Government Reform, and if you have staff backing you up that might speak behind you, you should stand also when we swear you in, and the clerk will note who has been sworn in for the testimony and put it into the record at that point.

So, first, before going to the witnesses, I want to ask Mr. Becerra if he has an opening statement that he'd like to make.

[The prepared statement of Hon. Stephen Horn follows:]

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"Oversight of Management Challenges at the US Customs Service"
CHAIRMAN STEPHEN HORN (R-CA)
OPENING STATEMENT
April 20, 2000

A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

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Customs also has a major enforcement role. The staggering growth in world trade over recent years has been accompanied by an equally dramatic increase in the smuggling of illegal drugs, weapons, pirated intellectual property, and, in some instances, human cargo. Each region of our country faces unique threats based upon the nature, volume, and origin of the cargo it receives.

Customs employs nearly 20,000 people to process and inspect cargo at more than 300 ports around the country. However, as this subcommittee has learned during previous hearings, the Customs Service does not have a system to determine how to match its resources with its enforcement and inspection responsibilities. In September 1998, Customs contracted with a private consultant to develop a resource allocation model. This model would serve as a tool to assist management in making staffing decisions and preparing budget requests. The resource allocation model was delivered to Customs over one year ago. We are interested in learning what staffing levels the model predicted would be appropriate, and how Customs intends on using this information.

In addition to its resource allocation model, Customs is developing a new import processing system called the Automated Commercial Environment or "ACE" system. It is no secret that Customs needs to modernize the way it processes trade. The agency's current approach to enforcing trade laws and regulations, and assessing and collecting import duties is outdated. It is neither responsive to the needs of Customs nor the needs of its commercial clients. The present system, developed more than 16 years ago, has experienced frequent breakdowns that have delayed the flow of data and cargo entering the country. The Automated Commercial Environment system would streamline the commercial import process and increase the quality of service to its customers -- the trade community. We are interested in learning how well Customs is managing the acquisition and development of this multi-billion-dollar system.

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I would like to thank the Port of Long Beach for hosting us today and for their help with the preparations for the hearing. I also welcome Representative Doug Ose from Sacramento, who is also a very distinguished member of this subcommittee and Representative Xavier Becerra, who is well known to those from this area. I would ask unanimous consent that Mr. Becerra be permitted to join the subcommittee for today's hearing.

We welcome our witnesses, and look forward to their testimony.

Mr. BECERRA. Mr. Chairman, let me first thank you for allowing me to sit with the Government Management, Information, and Technology Subcommittee of the Committee of Government Reform and join you and Congressman Ose today, I thank you for that opportunity.

As a member of the Ways and Means Committee, with jurisdiction over Treasury, Customs, and the issues of trade, obviously, this is of great concern to me, and I'm pleased that you are holding this hearing.

I do have a statement. I can submit it for the record, and rather than make further remarks I'd like to hear the testimony of the witnesses.

Again, I thank you for the opportunity to be here and I congratulate you on the work that you've done on these particular issues with regards to Customs.

Mr. HORN. Well, I thank the gentleman.

Does the gentleman from California, northern California, want to say anything at this point?

Mr. OSE. Speak less, say more.

Mr. HORN. OK. Fine. Mr. Ose is going to do most of the questioning.

So, let me, if you would, stand, raise your right hands, and if there's any support staff behind you, have them stand. Yes, we have quite a few today.

The clerk will note that the five witnesses and the, it looks like eight helpers, and we're delighted to have all of you, have taken the oath.

So, we will now begin with the first witness. The first witness, which is usual for these hearings, is a key member of the U.S. General Accounting Office, otherwise known as GAO, and that is part of the legislative branch with the authority of Congress to look at both fiscal matters and programmatic matters, and we have as the principal witness on panel one Laurie E. Ekstrand, Director, Administration of Justice Issues, U.S. General Accounting Office.

STATEMENTS OF LAURIE E. EKSTRAND, DIRECTOR, ADMINISTRATION OF JUSTICE ISSUES, U.S. GENERAL ACCOUNTING OFFICE; CHARLES WINWOOD, ACTING DEPUTY COMMISSIONER, U.S. CUSTOMS SERVICE; PETER GORDON, ASSISTANT REGIONAL DIRECTOR FOR INSPECTIONS, IMMIGRATION AND NATURALIZATION SERVICE, WESTERN REGION; COLLEEN M. KELLEY, NATIONAL PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION

Ms. EKSTRAND. Thank you very much, Chairman Horn. I'm pleased to be here today with Randy Hite, from our Accounting and Information Management Division, to discuss three issues that are of really great importance to the efficient and effective operations of the Customs Service.

The needs for Customs to develop a Resource Allocation Model, called the RAM, and the development of an Automated Commercial Environment [ACE], have been the subject of a number of prior GAO reports and testimonies. And, as you know, our report on Customs' airline passenger personal searches was released 10 days

ago. Let me address each one of these issues in turn, and first start with the Resource Allocation Model.

In 1998, we recommended that Customs establish a process to determine the needs for inspectional personnel across all ports. Customs subsequently contracted with PriceWaterhouseCoopers [PWC] to develop a Resource Allocation Model. The model was intended to predict staffing levels needed agency-wide and locally by occupation, such as inspectors, and canine enforcement officers, and by core functions, such as passenger processing.

PWC developed a model based on 1998 baseline data using two different methodologies. One was a regression analysis and the other an activity analysis. The regression analysis, which uses a variety of counts of workloads as input, yielded some very illogical results, and also failed to account for a variety of infrastructure differences between ports. These differences include elements such as facilities at the port, the extent of automation, and the extent of threat.

PWC also produced an Activity Analysis Model. This approach basically involves multiplying the units of work by the time it takes to do each unit and then dividing by staff years.

Our concern with the RAM centers on data reliability. In a previous report, we noted that source data for the amount of time Customs personnel spent on air and sea passenger processing activities is neither well documented, nor consistently collected from port to port. We also found, and PWC noted as well, that there are inconsistencies across source databases where there should be none. And finally we observed that there is considerable variation in activity times across ports, and we are unsure of the reasons for these variations.

The bottom line on the RAM is that it could be a functional tool as input for resource allocation decisionmaking, but data reliability issues will have to be resolved. Customs is taking some steps to improve some reliability of source data, and this could change the picture.

Now, let me turn to ACE. We have long held that the need to leverage information technology to modernize Customs approach to import processing is both urgent and undeniable. The outdated import processes currently in use are transaction-based, paper laden, and time consuming, and they are out of step with the just-in-time inventory practices of the trades. It is, thus, absolutely critical that Customs' ACE project be successful, and to be successful Customs must do the right things the right way. To be right, Customs must, as we have recommended: No. 1, invest in and build systems within the context of an enterprise architecture. No. 2, make informed data-driven decisions about investment options, based on reliable analysis of business value for system increments, and No. 3, build system increments using mature software processes.

Our work on other challenged modernization efforts has shown that to do less increases the risk of systems falling short of expectations, which is not in the best interest of either the trades or the government. To Customs' credit, it has already taken significant action to implement some of our recommendations. It has also made clear commitments to seeing that fundamental acquisition and investment management capabilities that our remaining rec-

ommendations call for are firmly in place before they invest huge sums of money in ACE.

Nevertheless, much remains to be accomplished before: No. 1, Customs is fully positioned to begin building large, expensive, software intensive increments of ACE, and No. 2, either the trade or the government will begin to see promised returns on hundreds of millions of dollars to be invested.

As a result, we will continue to categorize ACE as a high-risk endeavor and plan to monitor it closely.

Finally, let me turn to Customs personnel searches. A recent GAO report was released that focused on who Customs selects for personal searches, and of those searched who was found to be carrying contraband. Our analysis utilized data from 1997 and 1998 for those passengers who were subject to some sort of personal search. Most were subject to frisks or pat-downs, 4 percent were subject to strip searches, and 1 percent were subject to x-ray examination.

Our analysis centered on the latter two groups, that is, those who were strip searched and those who were x-rayed, and the frequency with which contraband was found in those types of searches. Gender, race, citizenship, and year, that is, 1997 and 1998, were the variables in our analysis.

The analysis showed that searched passengers of certain races and genders were more likely to be subject to strip search and x-rays than other groups, and were less likely to be carrying contraband. Specifically, white men and women and Black women were more likely than Black men and Hispanic men and women to be strip searched, rather than just frisked, but were less likely to be found carrying contraband. The most pronounced difference occurred with Black women who were U.S. citizens. They were nine times more likely than white women to be x-rayed, but less than half as likely to be found carrying contraband.

During the course of our review, Customs was developing some new policies and procedures for personal searches. They included both new requirements for supervisory review prior to searches, and additional training for inspectors. Customs also started collecting more complete data on the characteristics of passengers selected for intrusive searches and search results. Analysis of these data could result in better targeting and, thus, more productive searches.

This concludes my oral statement, and, of course, Mr. Hite and I will be happy to answer any questions you might have.

[The prepared statement of Ms. Ekstrand follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Management, Information and Technology
Committee on Government Reform
House of Representatives

For Release on Delivery
Expected at 10:00 a.m., EDT
on Thursday
April 20, 2000

U.S. CUSTOMS SERVICE

Observations on Selected Operations and Program Issues

Statement of Laurie E. Ekstrand, Director
Administration of Justice Issues
General Government Division
and
Randolph C. Hite, Associate Director
Governmentwide and Defense Information Systems Issues
Accounting and Information Management Division

GAO/T-GGD/AIMD-00-150

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Statement

U.S. Customs Service: Observations on Selected Operations and Program Issues

Mr. Chairman and Members of the Subcommittee,

I am pleased to be here today to discuss our observations on the Customs Service's development of a Resource Allocation Model (RAM), on an Automated Commercial Environment (ACE), and on our recently released report on Customs' airline passenger personal searches. While these are three distinct issues, all are extremely important to optimizing the quality and efficiency of Customs' operations. My testimony is based on products we issued during 1998 on Customs' resource allocation process, and on limited new work in response to your recent request. In addition, my testimony discusses several products concerning ACE that we issued during 1999, and our recently issued Customs' airline passenger inspection report.[1]

In relation to both RAM and ACE, Customs has responded to our recommendations and has moved forward. However, in both cases, more needs to be done. In relation to Customs' airline passenger personal searches, Customs made some changes prior to the release of our report that could result in more effective operations.

Customs' Resource Allocation Process and Model Development

In 1998, we reported on selected aspects of the Customs Service's process for determining its need for inspectors and canine enforcement officers to process commercial cargo or land and sea passengers at all of its 301 ports.[2]

At the time of our 1998 report, Customs had not conducted a needs assessment to determine its agencywide needs for all inspectional personnel. It did, however, conduct three needs assessments aimed at specific program objectives. Because of their focus on specific ports and enforcement objectives, they could not be the basis for accurately estimating the agencywide need for inspectional personnel and their appropriate allocation to ports.

In our 1998 report, we identified significant discrepancies in the workload data we obtained from Customs headquarters, one Customs Management Center (CMC), and two ports. We are mentioning these data quality problems because, as I will explain later, the accuracy and reliability of

[1] U.S. Customs Service: Better Targeting of Airline Passengers for Personal Searches Could Produce Better Results (GAO/GGD-00-38, Mar. 17, 2000)

[2] Customs Service: Process for Estimating and Allocating Inspectional Personnel (GAO/GGD-98-107, Apr. 30, 1998), Customs Service: Inspectional Personnel and Workloads (GAO/GGD-98-170, Aug 14, 1998), and Customs Service: Inspectional Personnel and Workloads (GAO/T-GGD-98-195, Aug. 14, 1998).

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some workload data inputs to the new RAM appear questionable. We further concluded and recommended that for Customs to successfully implement the Government Performance and Results Act[3] (GPRA), which requires it to link performance to results, it had to determine its needs for personnel for all of its operations and ensure that they are allocated where they are needed most.

Customs, responding to our 1998 report recommendation, awarded a contract for the development of a resource allocation model. The model is intended to estimate the number of inspectors and other personnel needed to process passengers and inspect cargo at all ports of entry.

Objectives and Scope of Our Current RAM Work

You asked us to determine the current status of the RAM and how it, as a methodology, estimates personnel needs agencywide. We selected the Los Angeles International Airport (LAX), John F. Kennedy International Airport (JFK), Los Angeles/Long Beach Seaport, and Port of New York/Newark all previously addressed in our 1998 report, as the focus of our current work.

The Resource Allocation Model

Customs contracted with PricewaterhouseCoopers (PwC) in September 1998 to develop a RAM. PwC delivered a model based on two methodologies, regression analysis and activity analysis, on schedule in March 1999 at a cost of $556,000.

The RAM predicts what staffing levels will be needed agencywide and locally by occupation (e.g., inspectors and canine enforcement officers) and by core functions (e.g., passenger processing) on a yearly basis. The RAM uses actual and estimated workload, staffing, cost, and performance data in predicting future staffing needs. Fiscal year 1998 data are used as the baseline because they were the most recent for which an entire year of data was available.

According to Customs, RAM results may be used to support budget requests, planning, analysis of "what if" scenarios (e.g., if Congress appropriates funds for staffing at a particular location), and audits. However, Customs maintains that it is not intended to be used as a business process improvement tool. That is, it will not be used to analyze opportunities to reduce passenger waiting and cargo examination times. Customs also indicated that the RAM is not intended to be used to reallocate existing resources from one location or one function to another.

[3] Government Performance and Results Act of 1993, P.L. 103-62.

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Customs officials told us that they are still in the early stages of analyzing the model results and fully understanding its capabilities. PwC has been retained to do additional work to make the model's results more understandable and easier to use.

The Department of the Treasury and the Office of Management and Budget (OMB) have reviewed the detailed RAM results for fiscal year 2000, and are currently reviewing fiscal years 2001 and 2002 results, according to Customs officials. Consequently, Customs made fiscal year 2000 results available to us in time for this testimony, but not the port-level 2001 and 2002 results.

RAM Methodology

RAM components include inputs, regression analysis, activity analysis, and results modules. RAM input data systems include

- Automated Commercial System (ACS),
- Case Management Information System,
- Cost Management Information System (CMIS),
- Customs Automated Port Profile System (CAPPS),
- Customs Integrated Personnel/Pay System (CIPPS),
- Detector Dog System (K-9),
- Operations Management Report Database (OMR), and
- Regulatory Audit Management Information System (RAMIS).

Using inputs from these data systems, the RAM performed two separate analyses to predict staffing needs by occupation and location: regression analysis, and activity analysis. Regression analysis predicted the number of positions at each location using the factors shown in figure 1.

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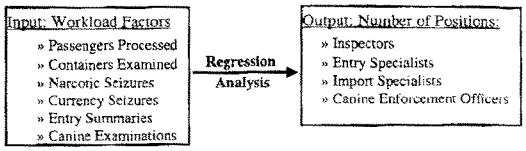
Figure 1: Regression Analysis Inputs and Outputs



Source: GAO Analysis of Customs' Data.

PwC ultimately decided not to use regression analysis as the only method to predict staffing needs because it did not account for infrastructure differences between ports and because it yielded some illogical results. Unaccounted for differences between ports included:

- Passenger processing: number of facilities, multiple duty tours for inspectors, automation systems, numbers and diversity of flights, threat factors.
- Cargo inspection: container examinations, hours of operation, number of entries, type and experience of brokers, use of longshoremen.

Examples of illogical regression analysis results included the following:

- Three inspector positions were predicted for Bath, Maine, a port that had no previous inspector presence and, according to Customs, required none.
- 147 inspectors were predicted for Memphis, Tennessee, a highly automated FedEx hub requiring, according to Customs, approximately 28 inspectors.

Activity analysis also predicts the number of positions needed to complete a task by location, and used fiscal year 1998 workload data as the baseline. It uses workload (e.g., number of passengers), workload assumptions (e.g., percent of passengers examined and percent increases in passenger volume), and workload activity times (e.g., time required to process one passenger) to predict the number of positions needed.

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The activity analysis formula is:

[Workload x Workload Activity Time] / One Staff Year[4] = Predicted Number of Positions (e.g., inspectors).

PwC and Customs concluded that the activity analysis is a better method for predicting needed positions. By using the workload activity times, differences between ports, including automation and facilities, may be accounted for. For example, highly automated ports would likely show lower workload activity times than would ports with fewer automated processes.

RAM Results

The RAM activity analysis predicted

- staffing needs for 8 core occupations (e.g., inspectors) and 15 mission support occupations or organizations (e.g., intelligence specialists or the Office of Field Operations) at 462 locations (e.g., ports and CMCs) for fiscal years 2000, 2001, and 2002;
- the need for 722 more inspectors, an increase of 9.4 percent, from 7,677 positions in fiscal year 1998 to 8,399 positions in fiscal year 2000; and
- the need for an aggregate staffing increase of 4,564 Customs positions, an increase of 23.5 percent, from 19,428 positions in fiscal year 1998 to 23,992 positions in fiscal year 2002.

We reviewed the detailed activity analysis estimates for fiscal year 2000 for LAX, JFK, Los Angeles/Long Beach Seaport, and the Port of New York/Newark. Figure 2 displays the number of inspectors at these ports in fiscal year 1998 and the predicted number of inspectors needed in fiscal year 2000.

[4] A staff year is equal to 2,087 staff hours.

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Figure 2: Baseline and Predicted Number of Inspectors at Selected Ports

Port	FY 1998 Baseline	FY 2000 Predicted	Total Increase	Percent Increase
LAX	360	380	20	5.6
JFK	591	644	53	9.0
LA/Long Beach Seaport	147	166	19	12.9
Port of NY/Newark	395	442	47	11.9

Note: Port of NY/Newark includes both the NY/Newark Seaport and the Newark International Airport.
Source: GAO Analysis of Customs' data.

Data Reliability Issues

The accuracy and reliability of some RAM input data are questionable. For example, we reported in February 2000 that CMIS data based on surveys lacked adequate supporting documentation to verify the estimated time Customs personnel spent on air and sea passenger processing activities.[1] In addition, the methods Customs used to complete the surveys were inconsistent among ports. Even a small amount of imprecision in the CMIS data can have a large effect on RAM results. Customs is, however, developing a system to capture data at the activity level through modifications to its Customs Overtime and Scheduling System (COSS) that should improve the reliability of CMIS data.

We also observed, and PwC documented, certain anomalies concerning the OMR and CMIS databases. For example:

- CMIS data indicated air passenger processing activity by the Port of Champlain-Rouses Point, New York, although the OMR database contained no air passenger processing data for the port.
- The OMR database indicated that the Port of Buffalo, New York, processed air passengers, although CMIS did not contain any air passenger data for the port.

[1] U.S. Customs Service: Reasonableness of Costs for Processing Air and Sea Passengers Cannot Be Determined (GAO/AIMD/GGD-00-94R, Feb. 29, 2000).

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Finally, we observed that activity times for specific processes (e.g., cargo inspections) differed significantly from port to port. These differences could be the result of unexplained variations in the CMIS data or because of actual differences in automation, employee skills, importer sophistication, or cargo variations (e.g., textiles vs. vehicles) at the different ports. In any event, the RAM is a potentially viable tool for Customs to use in estimating its personnel needs. However, in accordance with our previously cited April 1998 recommendation, we believe that more verification needs to be performed on some questionable RAM input data. Customs data improvement efforts, such as the COSS modifications, should reduce some concerns about the accuracy and reliability of RAM input data.

Customs Is Positioning Itself to Begin Acquisition of a New Import Processing System

Customs' need to revamp the way it does business in its import arena is undeniable. Its existing import processes are paper-intensive, error-prone, transaction-based, and out of step with just-in-time inventory practices of the trade community. Put simply, its approach to enforcing trade import laws and regulations, and assessing and collecting import duties, taxes, and fees, which total $22 billion annually, is not responsive to the needs of Customs or its commercial clients.

Since 1994, Customs has tried unsuccessfully to modernize import processing by building what it calls its Automated Commercial Environment, or ACE. In February 1999,[5] we reported on the reasons for Customs' inability to produce a new import processing system. Specifically, we stated that Customs was building ACE without (1) having a complete and enforced enterprise architecture, (2) knowing that it was a cost-effective solution, and (3) employing software engineering rigor and discipline. As a result, Customs did not know whether ACE, as it was defined at the time, was the right system solution (i.e., a cost effective solution), and its approach to investing in ACE would not allow it to determine this before it had already invested hundreds of millions of dollars. Moreover, even assuming that its definition of ACE was the right solution, Customs was not employing the requisite system engineering discipline to reasonably ensure that ACE would meet specified requirements, and be delivered within cost and schedule goals. In short, Customs did not know whether it was doing the right thing, the right way. To address these weaknesses, we made a series of detailed recommendations that Customs agreed to implement.

[5] Customs Service Modernization: Serious Management and Technical Weaknesses Must Be Corrected (GAO/AIMD-99-41, Feb. 26, 1999).

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We are pleased to say that Customs has already taken significant actions to implement some of our recommendations. For example, the Treasury Department and Customs have addressed our concern about possible duplication and incompatibilities between ACE and the Treasury system development effort, known as the Integrated Trade Data System, by combining the two efforts. Similarly, Customs has addressed our recommendation for completing an enterprise systems architecture in order to provide the needed agencywide business and technological context within which to permit optimization of ACE's business value and mission performance.

We are also encouraged by Customs' clear commitment to seeing that the fundamental acquisition and investment management capabilities that our remaining recommendations call for are firmly in place before investing huge sums of money in ACE. For example, Customs' draft request for proposals for its systems modernization integration contractor requires that the contractor/ subcontractors possess mature software development capabilities. Also, Customs has developed a software acquisition improvement plan aimed at Customs possessing the necessary software acquisition maturity to effectively manage its contractor. By implementing and adhering to mature software acquisition processes, and by requiring its contractor/subcontractors to have mature development capabilities, Customs will increase the likelihood of ACE being built and deployed successfully.

Also consistent with our recommendations, Customs' acquisition plan for ACE calls for investing in the system in four increments in order to minimize the inherent risk associated with large, multiyear system acquisition projects. For each increment, Customs plans to task its integration contractor with preparing a life-cycle cost estimate and realistic and supportable benefit expectations. It also plans to make funding of each increment conditional upon the results of a return-on-investment assessment and compliance with its enterprise systems architecture. Further, once an increment is completed, Customs plans to validate that actual costs and benefits are meeting expectations and to use this information in deciding whether to invest in further system increments. By doing so, Customs will be able to minimize the risks associated with investing huge sums of money over many years in a large monolithic system.

Nevertheless, much remains to be accomplished before Customs is fully positioned to begin building a large, expensive software intensive system like ACE. For some of these open areas, Customs says it cannot complete

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them until funds are made available to do so, and for others, Customs' plans call for first hiring a systems integration contractor to assist the agency in fulfilling its commitments to fully implement our recommendations. The fact that the success of these planned actions is thus to-be-determined, combined with the more than $1 billion expected cost of ACE and its criticality to achieving more effective and efficient import processing and to supporting billions of dollars in revenue collection, continues to make ACE a high-risk endeavor that we plan to monitor closely.

Customs' Airline Passenger Inspections

The Customs Service faces a major challenge in effectively carrying out its drug interdiction and trade enforcement missions, while facilitating the flow of cargo and persons into the United States. To carry out its mission, Customs inspectors are authorized to detain and search airline passengers they suspect may be bringing contraband, such as illegal drugs, into the country. Concerns have been raised about Customs' policies and procedures for selecting or "targeting" passengers for examinations and conducting personal searches, including strip-searches and x-rays.

We were asked to review Customs' policies and procedures for conducting personal searches and to determine the controls Customs has in place to ensure that airline passengers are not inappropriately selected or subjected to personal searches.

Our analysis of personal search data for fiscal years 1997 and 1998 was limited to data contained in Customs databases, and therefore focused on the passenger characteristics available for 102,000 arriving international passengers whom Customs subjected to some form of personal search. As a result, we could not include in our analysis any information about the remainder of the approximately 140 million international passengers who arrived during fiscal years 1997 and 1998, including passengers who had only their baggage searched.

Better Targeting of Airline Passengers for Personal Searches Could Produce Better Results

Inspectors select passengers for further examination on the basis of Customs' policies and procedures and their professional judgment and experience. Of the 102,000 arriving passengers subjected to some sort of personal search, we reported[7] that 95 percent were searched by inspectors for contraband (e.g., illegal drugs) or hidden weapons by patting the passenger's clothed body (commonly referred to as a frisk or patdown), 4 percent were strip searched, and 1 percent were subjected to an x-ray

[7] U.S. Customs Service: Better Targeting of Airline Passengers for Personal Searches Could Produce Better Results (GAO/GGD-00-38, Mar. 17, 2000).

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Generally, searched passengers of particular races and gender were more likely than other passengers to be subjected to more intrusive types of personal searches (being strip-searched or x-rayed) after being subjected to frisks or patdowns. However, in some cases, those types of passengers who were more likely to be subjected to more intrusive personal searches were not as likely to be found carrying contraband.

Specifically, White men and women and Black women were more likely than Black men and Hispanic men and women to be strip-searched rather than patted down or frisked, but they were less likely to be found carrying contraband. The most pronounced difference occurred with Black women who were U.S. citizens. They were 9 times more likely than White women who were U.S. citizens to be x-rayed after being frisked or patted down in fiscal year 1998. But, on the basis of the x-ray results, Black women who were U.S. citizens were less than half as likely to be found carrying contraband as White women who were U.S. citizens.

We recommended that Customs compare the characteristics of those passengers subjected to personal searches with the results of those searches of better targeted passengers carrying contraband.

During the course of our review, Customs developed new policies and procedures for personal searches that include new requirements for supervisory review and approval and procedures intended to ensure that passengers subjected to personal searches know their rights. We identified management controls, such as training provided to inspectors and supervisors on conducting personal searches and more systematic evaluation of complaints, that Customs uses to help ensure that inspectors use their search authority fairly and judiciously. In conjunction with improved data on the characteristics of those passengers subjected to personal searches, these policies and controls could better safeguard the rights of U.S. citizens and the traveling public.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or members of the Subcommittee may have.

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Congressman Steve Horn Letter to Secretary Summers:

The Honorable Larry Summers
Secretary of the Treasury
US Department of the Treasury
1500 Pennsylvania Avenue, NW
Room 3330
Washington, D.C. 20229

Dear Secretary Summers:

I am writing to you about a subject with which you are surely familiar, and which needs your immediate attention because it affects the U.S. economy and international commerce. My constituents in California - importers, exporters, manufacturers and the ports of Long Beach and Los Angeles - tell me that the U.S. Customs Service's computer – the Automated Commercial System (ACS) - is in serious condition. I am also informed that the system that would replace ACS, the Automated Commercial Environment (ACE) has not been funded, nor have appropriations for funding been requested by the Administration.

ACS is almost 17 years old. While it was state-of the-art technology when it was originally designed in the early 1980's, it has long outlived its usefulness and is regularly experiencing slowdowns and brownouts. We hear that during a recent five-hour ACS brownout at Buffalo, New York, the paper documents piled so high that importers and Customs agents couldn't see each other over the counters. A similar brownout could bring our California seaports and airports to their knees.

California, perhaps more than any other state, depends on international trade for its economic health. The Ports of Long Beach and Los Angeles are experiencing phenomenal growth in container volumes of exports and imports. Combined volume growth through these two (2) seaports was 122 percent in the last decade from 3.7 million containers in 1990 to 8.2 million in 1999. The international trade community here is aggressively planning for future growth, expecting similar increases in the future. Yet the Customs computer system is struggling to process even the current volume of transactions on a daily basis, with no replacement in sight!

In its FY 2000 budget the Administration requested a new user-fee to fund development of the new ACE system. Congress has made it clear that it will not support this user fee which would be challenged as illegal under NAFTA as well as the WTO. Additionally, the current user fee collects $900 million each year that was originally intended for these purposes. Funds must be appropriated from the general fund to pay for this critical system replacement.

I urge you to request appropriations for the funding of the Automated Commercial Environment without resort to a new user-fee. I will appreciate your immediate attention to this matter and your prompt response advising what action the Treasury Department and the Administration is or will be taking to have funds appropriated for ACE development.

Sincerely,

Mr. HORN. Well, we thank you for that statement, and our rule is sort of just to have all the presenters of the panel and then we'll go to questions.

We're delighted to have the Acting Deputy Commissioner of the Customs Service here today, that's the ranking career servant in the system. He's spent at least three decades, I believe, working his way up, Mr. Charles Winwood. We appreciate you being here yesterday and showing us and Chairman Colby's Appropriations Subcommittee the workings with your people in the ports of Los Angeles and Long Beach.

So, Mr. Winwood, it's all your's.

Mr. WINWOOD. Thank you, Mr. Chairman, and thank you for the opportunity to testify today. But before I begin, Commissioner Kelly has asked me that I thank you for your efforts on Customs' behalf to find a solution to our facility problem at Terminal Island. Your letters and discussions with GSA were instrumental in helping to expedite the process. We appear to be on track now to relocate those Customs employees to facilities that are safer and closer to the majority of our work, and we very much appreciate it.

Customs is currently faced with two major challenges; processing the expediential growth in legitimate trade and combating an array of threats to our national security.

With regard to trade, in the last 5 years the number of commercial Customs declarations "entries" processed by the agency grew from 13 million to 18.4 million; that's an increase of 41 percent. And the value of these entries now approaches $1 trillion, on which we collect over $22 billion in duty. Given the robust world trade environment, we anticipate another 43 percent increase in entries and a doubling in their value; to almost $2 trillion—by the year 2005.

Regarding national security, Customs is at the forefront of efforts to protect the United States from: terrorism, the drug trade, the trafficking of strategic materials, weapons of mass destruction, adulterated food, and unregulated pharmaceuticals; and economic crimes including intellectual piracy and commodity dumping, among other things. In fact, the Customs Service enforces over 400 statutes for more than 40 different agencies.

To accomplish this broad mission, Customs requires the people and technology necessary to stand as America's Front Line, keeping the threat in check and legitimate trade moving.

Mr. Chairman, as you are aware, in the past the Customs Service has been criticized for being less than systematic in the allocation of our limited resources. The GAO, as they just testified, and others have suggested that we need to develop methods to better calculate our workload and determine the most effective deployment of staff and equipment. To address these legitimate concerns, the Customs Service contracted with PriceWaterhouseCoopers to develop a Resource Allocation Model [RAM]. Constructed using quantitative analysis, the RAM, as far as we are aware, represents the first time ever an entire Federal agency's resource requirements have been modeled and then projected using workload and threat indicators.

The RAM is currently under review by the Treasury Department and the Office of Management and Budget. Because we are await-

ing their release of the document, I am limited in what I can say today about specific findings calculated using the model.

However, it should be understood that Customs sees the RAM as an allocation tool, not a reallocation tool. Moreover, the RAM is not the final determinant of future resource decisions; rather it is intended to help management develop a comprehensive staffing strategy year to year. Nonetheless, the RAM's prescriptions should be received with three significant caveats.

First, beginning as it does with a 1998 baseline, which is the last full fiscal year for which data was available during RAM development, the RAM does not account for further operational efficiencies from applied technology in this version, but should naturally reflect these in successive data iterations.

Second, the successful future implementation of ACE, which I will discuss in a moment, will itself introduce major efficiencies in the way both Customs inspectors and the trade address the arrival of merchandise.

Third, the part of the RAM related to "threat" will always involve a complex relationship between total threat and interdiction measures, where an increase in interdiction may herald a growing supply of contraband or success in preventing its introduction.

The RAM relies on the best available workload, staffing, cost, and performance data. As accuracy is critical to the success of the model, Customs has undertaken a yearly risk assessment, annual data validation, and dedicated personnel to oversee data integrity efforts.

We appreciate GAO's concerns regarding the reliability of the RAM data, and would further stress that RAM is a tool with excellent potential, which makes up one of several significant factors in Customs' decisions on managing limited appropriated resources.

Properly allocating our employees is obviously critical to meeting the challenge of the future. But, in this day and age, equipping our work force with the most up-to-date computer technology is equally important. To do so the Customs Service must replace our antiquated Automated Commercial System [ACS] as you mentioned, with the proposed state-of-the-art Automated Commercial Environment [ACE].

ACS, our present trade processing computer system, is now 16 years old. Mr. Chairman, I ask you what private-sector company earning $22 billion a year, the amount of revenue collected by Customs in 1999, operates an obsolete central computer system. The answer, to the best of my knowledge, is none. ACS has become increasingly inadequate to meet the growth and demands of the expanding international trade environment. A trade process that relies more and more on paperless transactions overwhelms the system. To make matters worse, the system is subject to temporary service disruptions, which we refer to as brownouts.

Implementation of ACE will provide significant benefits to Customs field operations personnel, the importing community, and most importantly, the U.S. economy. This will occur through uniformed and streamlined cargo entry processes and just-in-time reporting capabilities, more efficient and accurate revenue collection, and enhanced targeting and analytical capabilities aimed at com-

bating violations of U.S. import and export trade laws, drug smuggling, money laundering, and terrorism.

Initially there was some concerns with how Customs was proceeding with the ACE project, but we believe, and others including the GAO agree, that we have addressed these problems. Customs created a program office to manage computer modernization activities and have contracted with the MITRE Corp., a company with expertise in supporting large government projects, to help us manage ACE construction.

For fiscal year 2001, we are requesting $338.4 million. This funding request is based on a detailed cost-benefit study conducted by an outside expert and has been validated by two other independent parties. Our request includes $210 million for ACE software development and infrastructure, as well as $123 million for maintaining ACS and continuing Customs automation operations and an additional $5.4 million for the International Trade Data System. Customs modernization requires predictable and adequate funding. We need and hope for your continued support.

On the matter of personal search, GAO's report on Customs personal search was welcomed by the Customs Service, and the findings in this instance were also welcomed, because it proved and validated our concerns identified 18 months ago regarding the manner in which the agency conducts and supervises personal searches.

In 1998, Commissioner Kelly began a thorough review of Customs personal search practices. This led to numerous reforms. Customs lawyers are now on call 24 hours a day to advise Customs officers during the search process. Customs supervisors must now approve all pat-down searches, and Customs Port Directors must approve all searches that involve moving a person to a medical facility for a medical examination. A revised manual and new training was provided to all Customs officers involved in conducting personal searches. We have instituted far more comprehensive data collection on all those who undergo a Customs' search. We have purchased body scan technology, giving people the option to be scanned for external contraband rather than patted down.

These are just some of the changes we have made to the personal search program, and they have made a difference. Our number of searches has gone down by 75 percent in the first 6 months of fiscal year 2000, as compared to the same period last year, while our seizure rate has remained basically the same. And, with your permission, Mr. Chairman, I'd like to enter into the record these handouts which further clarify the changes we have made and the successes we are having.

Mr. HORN. Without objection, they will be inserted at this point in the record.

Mr. WINWOOD. Customs' border search authority is critical to perform our mission, but if its use is not carefully monitored, it can be abused. Under the strong leadership of Commissioner Kelly we are resolute to not let that happen.

Mr. Chairman, this concludes my statement for the record, and I appreciate the opportunity to appear before you today and at the conclusion of testimony stand ready to answer any questions you might have.

[The prepared statement of Mr. Winwood follows:]

STATEMENT OF CHARLES W. WINWOOD
ACTING DEPUTY COMMISSIONER
UNITED STATES CUSTOMS SERVICE

HEARING BEFORE HOUSE COMMITTEE ON GOVERNMENT REFORM, SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

APRIL 20, 2000

Mr. Chairman, thank you for the opportunity to testify today. Before I begin my testimony, Commissioner Kelly has asked that I thank you for your efforts on Customs behalf to find a solution to our facility problem at Terminal Island. Your letters and discussions with GSA were instrumental in helping to expedite the process. We appear to be on track now to relocate those Customs employees to facilities that are safer and closer to the majority of our work.

Customs is currently faced with two major challenges: processing the expediential growth in legitimate trade and combating an array of threats to our national security. With regard to trade, In the last five years, the number of commercial customs declarations "entries" processed by the agency grew from 13 million to 18.4 million - an increase of 41%. The value of these entries now approaches $1 trillion, on which we collect over $22 billion dollars in duty. Given the robust world trade environment, we anticipate another 43% increase in entries and a doubling in their value - to almost $2 trillion - by the year 2005.

Regarding national security, Customs is at the forefront of efforts to protect the United States from: terrorism; the drug trade; the trafficking of strategic materials and weapons of mass destruction; adulterated food and unregulated pharmaceuticals; and economic crimes including intellectual piracy and commodity dumping, among other things. In fact, the Customs Service enforces over 400 statutes for more than 40 different federal agencies.

To accomplish this broad mission Customs requires the people and technology necessary to stand as America's Front Line, keeping the threat in check and legitimate trade moving.

Resource Allocation

Mr. Chairman, as you are aware, in the past the Customs service has been criticized for being less than systematic in the allocation of our limited resources. The GAO and others have suggested that we need to develop methods to better calculate our workload and determine the most effective deployment of staff and equipment.

To address these legitimate concerns the Customs Service contracted with PriceWaterhouseCoopers to develop a Resource Allocation Model, or "RAM". Constructed using quantitative analysis, the RAM, as far as we are aware, represents the first time ever an entire federal agency's resource requirements have been modeled and then projected using workload and threat indicators.

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Technology Modernization

Properly allocating our employees is obviously critical to meet the challenges of the future. But, in this day and age equipping our workforce with the most up-to-date computer technology is equally important. To do so the Customs Service must replace our antiquated Automated Commercial System, or ACS, with the proposed state-of-the-art Automated Commercial Environment, or ACE.

ACS, our present trade processing computer system is now sixteen years old. Mr. Chairman, I ask you what private-sector company earning $22 billion a year, the amount of revenue collected by Customs in 1999, operates an obsolete central

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computer system. The answer is none. ACS has become increasingly inadequate to meet the growth and demands of the expanding international trade environment. A trade process that relies more and more on paperless transactions overwhelms the system. To make matters worse, the system is subject to temporary service disruptions, which we refer to as brownouts.

Implementation of the Automated Commercial Environment (ACE) will provide significant benefits to Customs field operations personnel, the importing community, and most importantly, the US economy. This will occur through uniformed and streamlined cargo entry processes and just-in-time reporting capabilities, more efficient and accurate revenue collection, and enhanced targeting and analytical capabilities aimed at combating violations of U.S. import and export trade laws, drug smuggling, money laundering, and terrorism.

Initially there were some concerns with how Customs was proceeding with the ACE project, but we believe and others including the GAO agree that we have addressed these problems. Customs created a program office to manage computer modernization activities and has contracted with the MITRE Corporation, a company with expertise in supporting large government projects to help us manage ACE construction.

For Fiscal Year 2001, we are requesting $338.4 million. This funding request is based on a detailed cost-benefit study conducted by an outside expert and has been validated by two other independent parties. Our request includes $210 million for ACE software development and infrastructure, as well as $123 million for maintaining ACS and continuing Customs automation operations and $5.4 million for the International Trade Data System. Customs Modernization requires predictable and adequate funding. We need your continued support.

Personal Search Issues

Finally, allow me to briefly touch on another area that has been in the news in recent days - GAO's report on Customs personal search. The Customs Service welcomed the findings of the GAO in this instance, as it proved to validate concerns Customs identified 18 months ago regarding the manner in which the agency conducts and supervises personal searches.

In 1998 Commissioner Kelly began a thorough review of Custom personal search practices. This led to numerous reforms. Customs lawyers are now on call 24-hours a day to advise Customs officers during the search process. Customs supervisors must now approve all pat-down searches, and Customs Port Directors must approve all searches that involve moving a person to a medical facility for a medical examination. A revised manual and new training was provided to all Customs officers involved in conducting personal searches. We have instituted far more comprehensive data collection on all those who undergo a Customs search. We have purchased body scan technology, giving people the option to be scanned for external contraband rather than

patted down. These are just some of the changes we have made to the personal search program, and they have made a difference. Our number of searches has gone down by 75% in the first six months of Fiscal year 2000 as compared to the same period last year while our seizure rate has remained basically the same. With your permission Mr. Chairman I would like to have entered into the record these handouts which further clarify the changes we have made and the success we are having.

Customs border search authority is critical to perform our mission, but if its use is not carefully monitored, it can be abused. Under the strong leadership of Commissioner Kelly we are resolute to not let that happen.

Mr. Chairman, this concludes my statement for the record. I appreciate the opportunity to appear before you today and stand ready to answer any questions that you might have.

Mr. HORN. Well, we thank you very much for that statement on behalf of the Commissioner and yourself.

Our next witness in this panel is Peter Gordon, the Assistant Regional Director for Inspections of the U.S. Immigration and Naturalization Service. He represents the Western Region.

We're glad to have you here, Mr. Gordon.

Mr. GORDON. Thank you. Good morning, Mr. Chairman, Congressman Becerra, and distinguished members of the subcommittee. I appreciate this opportunity to speak with you about the crucial role that the Immigration and Naturalization Service [INS], plays in our land, air, and sea ports of entry in southern California, particularly, the sea and air ports of entry in the Los Angeles/Long Beach area.

We work closely and cooperatively with other Federal partners at ports of entry, particularly, the U.S. Customs Service. As you know, the INS is responsible for ensuring that individuals who seek to enter the United States at those ports are eligible to do so under U.S. immigration law. Individuals seeking entry into this country are inspected at ports of entry by Immigration Inspectors who determine their admissibility. This is accomplished at over 300 air, land and sea ports of entry throughout the United States, including nine major ports of entry here in southern California.

Currently, there are over 5,000 Immigration Inspectors staffing our ports of entry nationwide. Of these inspectors, 292 are deployed to ports of entry in the Los Angeles area, specifically, to Los Angeles International Airport [LAX], and the Port of Long Beach.

In fiscal year 1999, our Immigration Inspectors nationwide handled more than 525 million applicants for entry into the United States. While the total number of applicants for entry has risen approximately 9 percent over the last 5 fiscal years, the amount of document fraud encountered in the course of those inspections has risen 20 percent. Enforcement actions, such as vehicle forfeitures, have doubled, while alien smuggling apprehensions at the ports of entry have risen nearly 120 percent.

We have experienced similar increases here in the Los Angeles area as well. In the last 12 months, our inspectors at LAX have intercepted more than 1,600 fraudulent documents, a nearly twofold increase compared to fiscal year 1998. One of the most significant patterns we have witnessed here in the Los Angeles area has been the increasing incidence of alien smuggling through LAX. We measure this by applicants who arrive at LAX with either fraudulent documents or without a passport. On application for admission, they admit they were coached by a smuggler in this method of travel to the United States. They then proceed to claim credible fear—asylum—of returning to their country of origin. Already this fiscal year, our inspectors at LAX have encountered nearly 900 aliens expressing a claim of credible fear. That is almost as many credible fear cases as we've handled in all of fiscal year 1999.

While LAX continues to be the focus of the majority of smuggling activity at airports in southern California, in recent months we have witnessed a new and troubling trend, the growing use of hard and soft-top cargo containers for human smuggling. Just last week, two groups of 15 smuggled aliens were intercepted at two local seaports within 48 hours of one another. In both cases, the aliens had

stowed away inside hard-top cargo containers outfitted with escape hatches and sophisticated ventilation systems.

Since December, more than 80 smuggled aliens have been intercepted at Los Angeles area ports in connection with container smuggling incidents. These migrants, not only stand to lose tens of thousands of dollars, the smuggling fees can run as high as $60,000 a piece, but they also risk their lives.

In January of this year, three smuggled aliens who stowed away inside a soft-top container perished, after becoming violently seasick during the 2-week voyage from Hong Kong to Seattle.

INS is looking at ways to enhance its enforcement efforts to combat this problem. We are seeking to identify methods to better manage the risks in the seaport environment. The development of intelligence is critical to achieving our enforcement goals. By automating the collection of data on vessels and those on board, we will be able to apply analytical techniques to identify and intercept smuggling operations and other illegal immigration activities in the seaport environment.

We are also working closely with other enforcement agencies, both domestically and abroad, including the U.S. Customs Service and the U.S. Coast Guard, who have an interest in this issue. Our efforts along these lines are consistent with information shared in public hearings by the Interagency Commission on Crime and Security in U.S. seaports, and regionally we have established a working group to deal exclusively with Chinese smuggling. That group, which includes representatives from a number of Federal agencies, including the U.S. Coast Guard and U.S. Customs, provides a mechanism for us to share intelligence information and identify interdiction opportunities.

That is a brief overview of some of the major issues and initiatives the INS Inspections Program is involved with in southern California. Our mission is to safeguard the borders and boundaries of the United States against illegal entries, while facilitating the flow of legal traffic. In a diverse and prosperous State like California, the challenges inherent in achieving that goal are considerable, but we are determined to succeed.

Following the conclusion of testimony, I'd be happy to answer any questions you may have.

Mr. HORN. Thank you very much.

One fact I just want to get on the record, you said there were 5,000 personnel, of which 292 were at the Los Angeles International Airport and the Port of Long Beach, what about the Port of Los Angeles?

Mr. GORDON. The staffing, that 292 includes the Port of Los Angeles and Long Beach.

Mr. HORN. OK, I just wanted to clarify that, because it wasn't mentioned.

We now have the next witness, Colleen M. Kelley, who is president of the National Treasury Employees Union. We appreciate you coming out here for this testimony.

Ms. KELLEY. Thank you, Mr. Chairman, Mr. Ose, and Mr. Becerra, on behalf of the 13,000 Customs employees represented by the National Treasury Employees Union I want to specifically thank all

of you, and you, particularly, Mr. Chairman, for holding this hearing today on resource allocation and for inviting NTEU to testify.

This is an appropriate site for a discussion of staffing shortages in the Customs Service, because the inadequate staffing levels in southern California have impacts on morale, enforcement, efficiency, and progress. This geographic area includes NTEU Chapter 103, Los Angeles/Long Beach Seaport, Chapter 111, Los Angeles International Airport [LAX], Chapter 105, San Diego Port of Entry, and Chapter 123, Calexico Port of Entry.

NTEU elected officials from these four chapters have accompanied me here today as part of their ongoing and tireless efforts to increase staffing at their respective sites. They know that staffing levels here have not kept pace with the dramatic increases in trade volume, drug smuggling, and public travel, and they are as concerned as I am and you are about the health and the welfare of the employees they represent, as well as the successful accomplishment of the Customs' mission.

While the Resource Allocation Model is being revised and finalized, staffing levels cannot be allowed to continue to decrease in the U.S. Customs Service. The Port of Los Angeles/Long Beach is the No. 3 container port in the world and the largest in the United States. Although over 6,000 containers arrive here for processing each day, only 30 of them will be examined due to the staffing levels. Inadequate staffing at our Nation's seaports leads to the risk of inadequate security, safety, and efficiency. Many Customs operations are covered with minimal staffing. For example, there are just six inspectors assigned to clear the almost 900,000 passengers and crews who arrive at these ports each year.

Customs' outbound enforcement program at the seaport is designed to thwart illegal exports, including currency, technology, narcotic transshipments, and weapons. The staffing levels simply do not allow, however, for adequate staffing for these and for many other endeavors.

Inspectors are also assigned to examine all imports for possible enforcement violations. Their progress in following up on potential violations of Federal law are considerably hampered by the lack of staffing assigned to this volume of work.

On the commercial side of the operations, the same lack of staffing exists. Import Specialists struggle to keep up with the volume of entries and trade. Ideally, a few import specialists should be able to concentrate their time on creating computer programs and scripts to respond to the workload and to be more efficient. Formal computer training would greatly enhance the operations, but there simply is not enough time to give people training, so operations remain static and the workload increases daily.

Currently, there are only six associates working on the Import Specialist Enforcement Team [ISET], which processes violations of trade and tariff laws. Their caseload has increased from 322 cases in fiscal year 1998 to 428 cases in just the first 7 months of fiscal year 2000.

The production and morale of Customs employees assigned to Terminal Island facilities has hit rock bottom. Chairman Horn, you have been instrumental in attempting to give the employees the relief from the hazardous health conditions at Terminal Island, and

we thank you very much for your efforts, but there is more that can and must be done for the 260 employees who continue to remain at that facility and working as we speak. They should all be temporarily moved, pending the permanent move of the operations, and I implore this Congress to assist us in this effort.

Mr. HORN. Thank you very much, and you can be assured a lot of us from southern California will be pushing for this.

Ms. KELLEY. I know I can count on them, Mr. Chairman, thank you very much. I actually visited the Customhouse on Terminal Island yesterday. After only 1 hour in the facility, I could feel the effects of the air in that building, with itchy eyes and scratchy throat, and the building also has an asbestos debris problem, as you know.

Since 1999, in September, 236 employees working in that facility have filed Worker's Compensation claims, and the numbers continue to rise every day of those claims.

As we are told today, the process to relocate these employees permanently will take up to 3 years. We need help, which we know we can count on from southern California, and we look to the rest of Congress and to GSA to provide relief as soon as possible, so that no Customs employee is working in that facility.

At the Customs Port of Los Angeles International Airport [LAX], the enforcement efforts suffer from the lack of staff, just as they do at the L.A. seaport. There is inadequate staff to service the passenger, trade and outbound anti-smuggling operations and to cover the threats posed by 50,000 flights and 7.4 million passengers that arrive at LAX each year. Staffing is the No. 1 issue identified by employees at all levels of the Customs Service at LAX, and the agency has responded to trade volume increases, not by adding staff, but by planning to modernize its computers. And, while the computers definitely need to be modernized, computer modernization efforts have not and will not solve the problems of inadequate staff levels. The failure to keep the staffing levels for Import Specialists remotely alive with the increased volume in trade has slowed trade facilitation and curtailed much of the enforcement efforts that need to be done commercially.

In the San Diego/San Ysidro and Calexico ports of entry, the horrendous staffing shortages that they are experiencing have impacted morale and jeopardized the health of employees to the point that local NTEU officials have made this effort to increase staffing their No. 1 priority. Not only has the welfare of employees been impacted, but clearly, the ability to provide services to the public and to the trade community has been adversely affected. In these ports, the overtime system is not used to augment enforcement efforts and to meet demands of after-hour traffic, but its purpose is to ensure that the agency meets minimum levels of coverage.

As of today, the port of San Diego operates with 60 fewer Inspector positions and six fewer Canine Officers than it did in 1998. Employees are being forced to work to the point of exhaustion. Customs' own statistics show that during one pay period between 20 and 25 Inspectors from Calexico will be required to work 12 to 15 hour shifts up to 3 days in a row. That is about one fifth of the Inspector ranks at Calexico who will suffer from sleep deprivation while doing their best to protect our borders.

I have letters here, Mr. Chairman, from five Inspectors in Calexico that were sent to me urging that the inadequate staffing situation be rectified. According to them, morale is the lowest it has been in decades, and I would ask that these letters be included in the hearing record.

Mr. HORN. Without objection, they'll be put in the record at this point.

Ms. KELLEY. Thank you, Mr. Chairman.

I would invite each of you to tour the southern California ports and to hear from the dedicated front line employees working there. The resources have not been provided to them adequately to do their jobs, to maintain their family, and their private lives. I urge Congress to appropriate more funding to increase the staffing level in Customs and to provide them the resources that they need to do the jobs they want to do and the jobs that America needs them to do.

Thank you again for the opportunity to be here today on behalf of the Customs Service employees to discuss these very important issues.

[The prepared statement of Ms. Kelley follows:]

TESTIMONY OF COLLEEN M. KELLEY
NATIONAL PRESIDENT
NATIONAL TREASURY EMPLOYEES UNION

ON

UNITED STATES CUSTOMS SERVICE RESOURCE ALLOCATION

BEFORE

THE HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

THURSDAY, APRIL 20, 2000

LONG BEACH, CALIFORNIA

Chairman Horn and Members of the Subcommittee, my name is Colleen M. Kelley, and I am the National President of the National Treasury Employees Union (NTEU). On behalf of more than 13,000 Customs Service employees represented by NTEU, I thank you for holding this hearing on the Agency's resource allocation and for inviting me to testify.

Long Beach, California is an appropriate site at which to discuss staffing shortages in the Customs Service because these shortages are clearly evident in Southern California. This area includes four of NTEU's local chapters: Los Angeles/Long Beach Seaport, Los Angeles International Airport (LAX), San Diego Port of Entry and Calexico Port of Entry.

NTEU elected officials from these four areas have accompanied me here today as part of their ongoing and tireless efforts to increase staffing at their respective sites. They know that staffing levels here have not kept pace with the dramatic increases in trade volume, drug smuggling and public travel, and they are concerned for the health and welfare of the employees they represent as well as the successful accomplishment of Customs' mission.

The Southern Border is not the only geographic location where Customs lacks sufficient staff to effectively and efficiently perform the Agency's mission. In February, I submitted Congressional testimony on the recent threat of international terrorism and drug smuggling across our Northern Border. The ports of entry located on the Canadian border are also inadequately staffed to respond to the threats. We must focus attention on those open border checkpoints as well. But, today I would like to focus on the particular problems facing Customs employees in Southern California and implore Congress to recognize the need for additional funding for more staff to perform this important work here.

The Customs Service is a front line law enforcement agency, and its primary mission is to stop the flow of illegal drugs into the United States. Customs Inspectors and Canine Enforcement Officers (CEOs) make up our Nation's first line of defense in the war on drugs. They carry out the primary law enforcement activities for the agency by enforcing federal criminal laws and apprehending fugitives who are subject to state and federal warrants. Inspectors and CEOs are responsible for stopping sophisticated and dangerous -- narcotics smugglers, international money-launderers, arms smugglers, terrorists, and fugitives from justice who pose serious threats to our communities. All of these activities, as well as processing legitimate trade and clearing passengers are performed daily. Part of their job includes inspecting outbound cargo to stop the export of weapons, illegal currency, stolen property and high tech equipment.

Inspectors must perform their duties, sometimes for 16 hours a day, for several days in a row, knowing that a dangerous situation could arise at any moment. This leads to severe stresses, in addition to the taxing physical demands placed on Customs Inspectors and CEOs. Inspectors must search all manner of cargo coming into the United States. They must stand for hours in dangerous positions at border crossings where they breathe exhaust fumes and withstand driving rains and the scorching heat of summer.

Los Angeles/Long Beach Seaport

The Port of Los Angeles/Long Beach is responsible for all Customs activities in the seaports of Los Angeles, Long Beach, Port Hueneme and San Luis. This port is the number three container port in the world. A mind-boggling number of container vessels arrives here to be processed through 3 exam stations, 114 container freight stations, 76 bonded warehouses, 9 foreign trade zones, 130 dockside cranes, and 17 terminal access gates. The Los Angeles Pier 400 will add 600 acres for future expansion of the port. Over 6,000 containers arrive at the Port each day. At least 37% of all containerized cargo unladed in the United States arrives in this Port. But, current Customs' staffing at the Port allows for only

30 containers to be examined every day. While, the Port of LA/Long Beach leads the nation in container volume, the staffing levels do not reflect this statistic. There are 130 dockside cranes between LA and Long Beach, yet only143 Inspectors assigned to them. There should be 3 Inspectors per crane for efficient operations, but the staffing levels do not allow for even minimum coverage.

Staffing our nation's seaports with adequate Customs personnel has not been a priority, and therefore, many areas of security, safety, and efficiency are at risk. The areas that Inspectors must cover include trade operations, anti-smuggling, passenger processing, outbound enforcement, drawback processing for LA ports and San Diego. These operations are covered with minimal staffing. For example, there are just 6 Inspectors assigned to the Sea Passenger Analysis Team (SeaPat). Over 900,000 passengers and crews arrive at these ports every year, and these 6 Inspectors are responsible for clearing of all of them.

Customs' outbound enforcement program at the seaport is designed to thwart illegal exports. These include illegal currency, technology used for military purposes that has not been licensed by the State Department, narcotic transshipments and other weapons. Recent reports also show the growth of oversees markets for stolen cars.

Combating the exportation of stolen vehicles has become a priority for the Customs Service, especially in Los Angeles. According to the California Highway Patrol, Los Angeles ranks second highest in stolen vehicles per year. Currently, there are only 18 Customs Inspectors assigned to work on outbound enforcement at the Port. Of these, only 8 are assigned to look for exported stolen cars and military technology. The staffing levels simply do not allow more staffing for these endeavors.

Over 90 Inspectors are assigned to examine imports for possible enforcement violations. These Inspectors are located at the Customhouse on Terminal Island. The progress in following up on potential violations of federal law are considerably hampered by the lack of staffing assigned to this volume of work. At Long Beach, only about 36 Inspectors

are assigned to search for drugs, and 20 or so to search for commercial violations in the daily shipments. These numbers are abysmal considering that the LA/Long Beach Port is the largest in the United States.

The notion of seaport security looms in the back of everyone's mind, but without additional staffing, nothing can be done about it. The LA and Long Beach docks are at great risk. The staffing charts can not spare even one Inspector to coordinate seaport security. When illnesses, annual leave, mandatory training and other interruptions occur, these ports are far below minimum staffing levels. Inspectors cannot benefit from details to other ports of entry or assignments to special operations because the ports cannot afford to be down one additional Inspector.

On the commercial side of the operations, the same lack of staffing exists. Import Specialists struggle to keep up with the volume of entries and trade. Ideally, a few Import Specialists should be able to concentrate their time on creating computer programs and scripts to respond to the workload and be more efficient. Formal computer training would greatly enhance the operations but there simply is not enough time to give people training. So, operations remain static and the workload increases daily.

Import Specialists are trained to detect violations of the trade and tariff laws in the commercial arena that affect the economic viability of the United States. Import Specialists working at the LA Seaport refer these types of cases to the port's Import Specialist Enforcement Team (ISET). Currently there are only 6 associates working on the ISET. To grasp the amount of work required of these individuals it is important to understand the numbers of cases referred to them. In 1998, they had 322 cases in total. In FY 1999, they had that number referred to them within the first nine months. Now within the first 7 months of FY 2000, they already have received 428 cases. Every day they receive at least 5 trademark violation cases. Other violations include the transshipments of textile and wearing apparel to avoid quotas, and attempts by importers to undervalue merchandise to avoid duties. These cases also can involve complex issues of anti-dumping laws. The demands on the ISET

team continue to increase, but the staffing levels continue to undercut their ability to effectively and efficiently perform their jobs.

Terminal Island Environmental Hazards

The production and morale of Customs employees working at the Long Beach Seaport and assigned to the Terminal Island facilities has hit rock bottom. Chairman Horn, you have been instrumental in attempting to resolve the long standing dispute between Customs and the General Services Administration (GSA) over whether or not there should be an emergency evacuation of the building, but the time has come to give these employees relief, and pending a permanent move, to get them all out of the hazardous working environment immediately.

There are approximately 500 employees assigned to Terminal Island. Of these 500, only about 260 remain in the Customhouse today. NTEU represents about 150 of these employees who are Inspectors; Import Specialists; Fines, Penalties and Forfeitures employees; Drawback Specialists and Operations Analysis Specialists.

The Customhouse on Terminal Island is surrounded by industrial facilities, container storage, and hazardous materials. The Los Angeles Export Terminal (LAXT) is a 124 acre coal and petroleum coke storage and export facility, the largest of its kind in the Western United States. It is located just 200 feet from Terminal Island Customhouse. Some of its coke stockpiles are up to

60 feet in height. In December 1996, before LAXT opened, NTEU raised health concerns about the risk of the coal facility being located so close to the Customhouse. Since the LAXT facility operations began in July 1997, over 1000 railcars of coal have been transported by conveyor belts from the dumper to the storage mounds each month. The particulate matter in the air is obvious because it lands on the cars in the parking lot and covers them with a black film.

In addition to concerns about petroleum coke hazards, in April 1999, asbestos debris from the roofing project entered air intake vents in the Customhouse and fell into the second floor office space. In response to this health threat, many employees were moved to the Long Beach Federal Building. But many remained in the Customhouse. Since September 1999, 236 employees have filed workers' compensation claims complaining of headaches, respiratory and breathing difficulty, throat aches, eye irritation and dizziness.

Dozens of employees are suffering from severe reactions to the unhealthy work environment. Most recently, 3 Inspectors assigned to the Customhouse were diagnosed with industrial asthma/bronchitis. None of them had a previous history of this type of ailment. Their doctors claim that they may have suffered permanent damage to their lungs and that they should not expect their breathing to return to normal until they have been removed from the site for 3 to 6 months. One Inspector experienced a build up of fluid in the lungs and loss of feeling in the right arm. These 3 Inspectors now must use inhalers for normal breathing and take a number of medications including steroids and anti-inflammatory drugs.

Employees who were once physically active have been forced to give up running and exercise because their breathing is so strained. NTEU is extremely concerned about the individuals who have been exposed to the environment of Terminal Island. The long term, permanent effects of this exposure is unknown and the combination of these hazards present could be deadly.

Until March 2000, GSA refused to permanently move the Customs' operations from Terminal Island. With your assistance, Chairman Horn, GSA verbally agreed to relocate the operations permanently. While NTEU is relieved that employees who have been temporarily removed from the site will not be required to move back there, we are extremely concerned about the employees who remain at Terminal Island.

According to the Port Director here, Customs has no plans to temporarily relocate all employees until the time of the permanent move. This is unacceptable. Every day more employees complain of health problems. Every day these employees are exposed to these health risks that may have lasting and long term impact on their lives.

There has been no guarantee that GSA will move the employees to a permanent site soon. In fact, the process to locate, lease and renovate space in the surrounding area could take up to 3 years. Customs declared the hazardous conditions at Terminal Island to be an emergency, and we believe the emergency still exists despite GSA's promise to move the site. I implore the Congress to require Customs and/or GSA to relocate the remaining employees from Terminal Island now. The cost is relatively minor compared to the loss of productivity, threat to employees' health and negative impact on employee morale in the workplace. NTEU will continue to press Customs to act now in the best interests of these employees and to do what it urged GSA to do just a few months ago --- provide relief as soon as possible.

Los Angeles International Airport

The Customs Port of Los Angeles International Airport (LAX) is responsible for all Customs activities in 8 Southern California counties and Clark County, Nevada. The airports include, Ontario, Palm Springs, Burbank, Van Nuys, and McCarran Field in Las Vegas. There are only approximately 500 employees to service LAX's passenger, trade and outbound /anti-smuggling operations. The enforcement efforts at LAX suffer from lack of staff just like the LA seaport. There simply are not enough inspectors to cover the threats posed by 50,000 flights yearly and 7.4 million passengers arriving each year at LAX.

In the early 1990s, increases in freight and entries were predicted to quadruple and the Agency began to prepare for the increases. Customs announced that new staffing would not be added, but the computer system would be modernized to respond to the increased volume as Customs moved into the world of paperless transactions. Currently about 60% of the entries at LAX are released as paperless. But, problems of lack of staffing have not been solved by computer modernization. To correctly modernize and move operations to a paperless system there must be adequate increases in the technological abilities of the staff and a system of training employees to trouble shoot for computer glitches and respond to program failures. This has not been done at Customs. The failure to keep the staffing levels for Import Specialists remotely aligned with the increased volume in trade has slowed trade facilitation and curtailed much of the commercial enforcement efforts. In addition, embarking on any modernization effort must include the employees who do the work. They must be trained and experienced to know how the systems run and how to correct problems. Staff must be trained and available to augment the modernization efforts. However, every year at LAX the divisions carry over vacancies, and as workload increases, employees are less likely to receive necessary training to focus on modernization and new program designs.

The major automated system used by the Customs Service today is the Automated Commercial System (ACS). This system is on the verge of collapse. Several well-documented system failures of ACS known as "brown-outs" have resulted in Customs employees being required to manually process and release every entry. During these situations, all inter-agency efforts must be suspended, because there is no time to query, for example, the Department of Agriculture to see if there is an interest in the imported commodity. Customs cannot hold the merchandise for review because there is no one to spend the time to contact the other agency and follow up.

Customs spends an inordinate amount of resources responding to failures of its automated systems. But, the freight continues to arrive and the demand for release increases. The same number of employees process this increased workload. Efforts to follow up on

criminal and commercial violations are curtailed and resources are solely focused on moving out the merchandise. The job for inspectional staff as well as for Import Specialists is stressful and frustrating at times. The levels of attrition have increased at LAX, and even among veteran Customs Inspectors, the increased workload has led to an alarming amount of heart conditions, strokes, chest pains and other health problems. Work related stresses contribute to these conditions. The way to combat the problems at LAX is to increase the staffing levels, insure the employees receive the training they need to perform their jobs and concentrate on their duties.

Southern California Customs Management Center (CMC)

San Diego/San Ysidro and Calexico are part of the Southern California CMC. The horrendous staffing shortages at these ports have impacted morale and jeopardized the health of employees to the point that local NTEU officials have made the effort to increase staffing a number one priority. Not only has the welfare of employees been impacted, but clearly, the ability to provide services to the public and trade community has been adversely affected. In these ports of entry, the overtime system is not used to augment enforcement efforts and meet demands of after-hours traffic, its purpose is to ensure that the Agency meets minimum levels of coverage.

As of today, the Port of San Diego operates with 60 fewer Inspector positions and 6 fewer Canine Officers than in 1998. San Ysidro/Otay Mesa and Calexico are both down at least 20 positions in vehicles and pedestrian inspection from 1998 totals. Of these ranks, many Inspectors are assigned to special operation. Each member on a special enforcement team requires that a full-time position be paid on overtime. In the early morning hours, San Diego opens all 12 lanes for traffic. But, after 8 a.m. there is only staffing available for 8 open lanes, so the others remain closed.

Currently, due to the lack of adequate staffing, employees in San Diego, San Ysidro and Calexico are being forced to work to the point of exhaustion. I have spoken recently with

Inspectors from Calexico and San Diego who tell me about the difficulties the staffing shortages have caused them and their families. Many Inspectors have worked 12 to 16 hour days on a regular basis since October 1999. When they are scheduled to work on the weekend, they can expect no less that three 16 hour days in a row. This is not unusual in Calexico and San Diego. In fact, Customs' own statistics show that during one pay period somewhere between 20 and 25 Inspectors from Calexico will be required to work three 12-15 hour days for 3 days in a row. That is about one-fifth of the Inspector ranks at Calexico who will suffer from sleep deprivation, muscle fatigue and other known results from lack of sleep and relaxation. An Inspector who suffers from sleep deprivation is less alert and job performance is severely impacted.

The constant strain of performing dangerous, life-threatening work on an irregular and unpredictable schedule already profoundly impacts the health and personal lives of many Inspectors and Canine Enforcement Officers. But coupled with an exhaustive schedule, few days off to be with family, and inadequate numbers of employees to perform the workload, this situation is at a breaking point. In some cases, doctors have ordered Inspectors to scale back their work schedules, but this is obviously impossible.

Customs asks its inspectors to be alert, courteous, responsible and vigilant at all times. Yet, by failing to staff these busy land borders with an adequate number of employees, the result can only be fatigue, loss of concentration and danger. In the new port in east Calexico, Inspectors work the pedestrian crossing alone. They have no back up and are forced to respond to violent individuals the best they can without a partner. Most times, there is only one employee assigned to the port office where people are taken for secondary examination or detained if they are suspected felons or fugitives. This staffing shortage places Customs operations and the traveling public and employees in danger.

Where 4 hours of overtime per shift used to be typical, now the number is closer to 6 or 8 hours of overtime a shift. Days off are relatively extinct unless an employee calls in sick from exhaustion. I have letters here from 5 Inspectors in Calexico who heard I was going to

be discussing resource allocation today. They felt the need to memorialize their concerns about the safety, morale and health of the Southern California inspectional personnel. According to them, morale is the lowest it has been in decades. I would ask that these letters be included in the hearing record.

It is an abuse of the loyalty and dedication of the Customs Inspectors to continue these work schedules. Customs recently ranked lowest in an employee satisfaction survey taken this year. In 28 out of 32 questions, responses of Customs employees were below government-wide responses. The most significant difference was in response to questions dealing with management's support of employees' family/personal life responsibilities. Customs' favorable response rate was 16% below the government-wide average. This result does not surprise the employees in Calexico and San Diego, because their family lives are at times destroyed by their schedules and the call of management. These employees joined the Customs' ranks expecting to work longer and more varied hours than other federal employees, but the present situation has become intolerable. Considering the fact that these men and women are not provided the benefit of law enforcement officer status as are federal officers in many other agencies, Customs is at risk of losing its most experienced employees and turning new recruits to other agencies and the private sector.

I would invite you to tour these Southern California ports and to hear from the dedicated employees working there. The resources have not been provided to them to adequately do their jobs and maintain their family and private lives. I urge Congress to appropriate more funding to increase staffing levels for Customs. The levels have remained static in the face of huge increases in trade and travel. It is time to hear the voices of the men and women tasked with defending our borders and to provide them the resources they need to do their jobs.

Thank you for the opportunity to be here today on behalf of the Customs Service employees to discuss these very important issues.

Mr. HORN. Thank you very much.

We'll now start with the questioning of this panel, and we're going to alternate 5 minutes on this side of the aisle and 5 minutes on this side of the aisle, and we'll keep going until we are through all the questions.

I will first yield 5 minutes to my colleague, Mr. Ose.

Mr. OSE. Thank you, Mr. Chairman.

If I may, Mr. Winwood, I'm curious, in terms of the $22 million that the Customs Service collects on an annual basis, how much is generated here in the Port of Long Beach or across the way at the Port of Los Angeles?

Mr. WINWOOD. I don't know the exact figure, Mr. Congressman, but it's quite a large sum. This is a very large seaport.

Mr. OSE. I understand, hundreds of millions?

Mr. WINWOOD. Yes.

Mr. OSE. My followup question is I'm trying to find out how much is generated here versus how much is spent here, for instance, addressing some of the things pointed out by Ms. Ekstrand, and Ms. Kelley, and Mr. Gordon. There's got to be a connection, and I'm trying to get to it.

Mr. WINWOOD. Well, I don't have the exact figures on what is actually generated here as far as revenue, as far as duties collected for Long Beach, but we can get that for the record. But, there is no correlation between the money collected and the appropriations for staffing. As you know, the money collected from duties goes into the General Fund of the U.S. Government, and our appropriations for staffing and for distribution of resources and technology come through our yearly budget cycle appropriations. There is generally no connection between money collected and appropriations.

Mr. OSE. Maybe we're trying to rationalize a little bit. If you could get that information, I would appreciate it, and I want to, at least for my own edification, understand how much is being generated versus how much is being spent here in Long Beach and Los Angeles.

If I may, I want to particularly highlight something that is of great concern to me.

Ms. Ekstrand, in your testimony on page 6, you talk about the accuracy and reliability of the data.

Ms. EKSTRAND. Yes.

Mr. OSE. We've got a half million dollar contract with PriceWaterhouse to basically structure the Resource Allocation Model, but I'm new enough to this to know that if we put bad data in we're going to get bad analysis out.

You stated that even a small amount of imprecision in the data can have enormous impact on the model's results. Can you kind of expand on that, as to what transpires?

Ms. EKSTRAND. Certainly.

The activity analysis part of the model involves multiplying how much time it takes to do one unit of activity by the number of times that activity occurs. So, if an estimate is made of how much time it takes to process just one passenger, and just hypothetically maybe it's 2 minutes, and that gets multiplied by a million passengers, but that's off by 15 seconds, that 15 second error is multiplied by a million, and it can become a very large number. So a

very small amount of error in activity time calculation can result in a very big difference in terms of how much time is spent, or how much staff years are needed to do that activity at that particular port.

Mr. OSE. Does the Customs Service have a staffing standard, or is that what you are trying to establish?

Ms. EKSTRAND. Well, the staffing standard, in the way these models are constructed, is basically the 1998 level of service.

Mr. OSE. The baseline.

Ms. EKSTRAND. This model is not designed to improve the level of service at any location. It basically perpetuates how long it took to do something in 1998 for the out years.

Mr. OSE. It's simply a data collection model?

Ms. EKSTRAND. Well, it can predict how much staff you need, based on the predictions you put in the model of how much additional passengers there will be, how many additional containers at the port, etc., but in the model the time it takes to process these things, at least in the way the model is presented now, stays constant.

Mr. OSE. How does Congress make intelligent decisions, for instance, on annual appropriations for Mr. Winwood if we can't get the base data correct?

Ms. EKSTRAND. Well, I think a lot of work needs to be done to make sure that the data that goes into the model is much more reliable than it is now. They have taken some steps in that direction, but we have not yet analyzed these steps to make us feel comfortable that the data next year will be more reliable than it is this year.

Mr. OSE. Mr. Chairman, I'll come back.

Mr. HORN. Thank you.

Let me ask you at this point, do you feel that this model is reliable to generate what staffing is needed, and then I want to ask the Deputy Commissioner, have you used that model, and did you recommend to the President for the budget for this particular year any new resources? And, if so, did you send them to the Office of Management and Budget, which speaks to the President unless you appeal it, or did they just throw it away? So, can you tell me that model is reliable at least to project staffing when they go into the battles of the budget frenzies in the executive branch?

Ms. EKSTRAND. Conceptually, the model is a reasonable way to go about this kind of workload analysis, but because the data that is used to go into it seems to be quite flawed, the output is going to bear the same flaws that the input had in it to start with.

So, you know, this can provide some information, but, you know, this certainly shouldn't be the sole basis for decisionmaking at this point.

I believe Mr. Winwood would agree that this is too early in development, and that more data reliability issues need to be resolved before it can be considered solid.

Mr. HORN. Well, the question really is, if you were an administrator in the Bureau of Customs, would you be able to count on this as the evidence that they need more resources?

Ms. EKSTRAND. I wouldn't count on this as evidence at this time. I would think the——

Mr. HORN. OK, so you are saying it's an unsatisfactory model?

Ms. EKSTRAND [continuing]. Given the input to the model at this point, I would have to say it's an unsatisfactory model.

Mr. HORN. OK.

Commissioner, how do you feel about it? Do you use that for the basis for staffing in the current budget of the President, and what was the increase Customs received in the President's budget?

Mr. WINWOOD. Well, first of all, Mr. Chairman, we did not, and have not yet, used the model for any official purposes, and we did not use the model for any determinations of budget requests for the 2001 budget.

As has been pointed out, it's still being further developed. We are looking at some of the data challenges we have, it's under review by the Office of Management and Budget, and by our parent organization, Treasury, to take a look at the model itself and to take a look at some of the concerns we've identified.

But, I would like to say one more time for the record, Mr. Chairman, to the best of our knowledge it's the first time ever that a Federal agency has attempted to model their entire agency to come up with a systematic, analytical, data-driven approach to determining the best allocation of future resources.

Now, we do have PriceWaterhouseCoopers taking a look at some of the additional challenges. If you remember my statement, I said there were three basic caveats, and one of them, in addition to the time to perform tasks, is building in for the future how technology and other issues affect that time. I don't think anybody disputes the workload numbers that we put into the data, the concern is a better way to determine how much time it takes to do each one of those workload units, taking into account the variances that occur because of infrastructure, multiple facilities, and more sophisticated automation versus less sophisticated automation. At one port it might take 15 minutes to do a function, at another port it might take a little bit longer, a little bit less, based on the technologies available to them. That's the challenge we'd like to continue to address. We have further engaged PriceWaterhouseCoopers to take on these issues. We are further developing the model, and like I said, it's the first time ever that an agency, an entire agency is attempting to do it scientifically, to do it based on data, and to do it uniformly, so that we all can have some dependable outcomes that we can look at.

The last point I would make, as was pointed out, it is a tool, and it's an opportunity, but you also have to take into consideration other factors in addition to that tool.

Mr. HORN. Well, let's get in the record, for the year 2000, which ends on September 30, 2000, and for the 2001 budget that begins October 1, could you give me the figures that the Commissioner and you recommended to the President as to what this number of positions that the Customs Service needs, what was the number?

Mr. WINWOOD. I don't have the number for 2001. Mr. Chairman, I just want to reiterate that we did not use the model for either of those years.

Mr. HORN. Well, what did you, I mean, I don't care if you used a Ouija Board.

Mr. WINWOOD. Right, well, hopefully, we were a little more sophisticated than that, but we did——

Mr. HORN. Oh, I don't know, I've been in administrations and, believe me, my favorite being the Pentagon, I might add.

Mr. WINWOOD. For 2001, there's approximately 100 Customs inspectors and approximately 214 criminal investigators, as far as official FTE. There's also some additional positions being looked at because of a special amendment, under the Kyl amendment, which is for 1 year funding, but those are the basic numbers for 2001.

Mr. HORN. So, you are saying 1,000 inspectors?

Mr. WINWOOD. No, sir, I said approximately 100 inspectors for 2001 budget.

Mr. HORN. OK.

Mr. WINWOOD. In 2001, approximately 100 additional inspectors for the 2001 budget, and approximately 214 criminal investigators in the 2001 budget request.

Mr. HORN. OK, so 100 inspectors, 214 criminal investigators, is that it? Anything else?

Mr. WINWOOD. Yes. I can supply the rest of the numbers for the record.

Mr. HORN. Yes, well, without objection we'll put them in the record at this point, but I just wanted to know, one, this is what you recommended and the Secretary of the Treasury did approve it?

Mr. WINWOOD. This is the proposal sent forward in the President's budget, Mr. Chairman.

Mr. HORN. This is the President's budget now for what year?

Mr. WINWOOD. 2001.

Mr. HORN. 2001, in other words, it's going into the shop right now, I would think.

Mr. WINWOOD. Yes, sir.

Mr. HORN. So then, we don't know what OMB is going to do to it?

Mr. WINWOOD. Well, that is the proposal for 2001, that's the approved——

Mr. HORN. And, that's already cleared the Office of Management and Budget?

Mr. WINWOOD. Yes, sir.

Mr. HORN. OK.

So, conceivably then, that is what everybody is talking from the same hymnal to congressional committees in the Senate and the House, and I'm glad that an authorizing committee member is with us today. I knew there was a reason I did this. He will go in there and squeeze it out of the Ways and Means Committee, right?

Mr. BECERRA. No pressure.

Mr. HORN. Yeah, that's right, and I'm now delighted to yield to my friend from East Los Angeles, West Los Angeles, North, and South Los Angeles, Mr. Becerra. So, feel free to occupy us with questions.

Mr. BECERRA. Thank you, Mr. Chairman.

Let me see if I can followup with the line of questioning that the chairman just undertook. Commissioner Winwood, of those 100 new positions for inspectors and 214 for criminal investigators that you are requesting, have you determined where they would go?

Mr. WINWOOD. No, sir. We will make a further determination when the budget is passed based on what our allocated appropriation is, and then we will look at the proper allocation of those resources based on the most current information we have as to threat and need by geography.

Mr. BECERRA. Was there a determination made about where those positions should be located when you initially submitted the recommendation?

Mr. WINWOOD. To the best of my knowledge, just general broad categories, Mr. Congressman, no specific city or no specific port was identified.

Mr. BECERRA. Then how did you come up with the precise numbers of new need?

Mr. WINWOOD. Basically, looking at large geographic areas and, if I can use an example, our export threat, as has been mentioned here, they would be used for further enforcement of exports for technology, money, etc.

Mr. BECERRA. So, you do have some sense about where you would place those new positions?

Mr. WINWOOD. Geographically, right, for instance——

Mr. BECERRA. OK, so give us the breakdown geographically where you would place these 100 new inspectors if Congress were to appropriate money for them.

Mr. WINWOOD. I don't have that information today, but I can supply it to you when it's available.

Mr. BECERRA. If you could supply that, and supply the information about where geographically, and as precise as you can geographically where you would try to locate these new positions if you received funding for them.

Mr. WINWOOD. We will do that.

Mr. BECERRA. Thank you, for all the various new positions, whether inspector, criminal investigator, or any other positions, if you would do that for us.

Mr. WINWOOD. When it is available, we'll be glad to.

Mr. BECERRA. And, if you could keep in mind, I suspect that all of us here would probably say to you that we'll be keeping an eye on where you would place those people, given that, as Ms. Kelley testified, and others would indicate to you, that there is a vast shortage here in the western States for Customs inspectors, investigators, and any type of personnel.

Let me ask you about the RAM, the Resource Allocation Model. When will Customs or Treasury conclude its review of the RAM?

Mr. WINWOOD. I can't predict that, Mr. Congressman. We're hoping, we've asked them to as expeditiously as possible, to take a look at what we have so far, look at where we are going with it, and we're just waiting for their——

Mr. BECERRA. When was the last time you had a conversation with someone in Treasury who was reviewing the RAM?

Mr. WINWOOD. I can't say for sure, I haven't had any conversations this week. I've been on the road all week, but there have been ongoing conversations since it was submitted to them for their review.

Mr. BECERRA. Who at Treasury is reviewing the RAM document?

Mr. WINWOOD. I can't say specifically who, but I will tell you it has to be the Office of the Undersecretary for Enforcement and the Office of Management, within the Treasury Department.

Mr. BECERRA. That modeling by PriceWaterhouse was completed in 1998, correct?

Mr. WINWOOD. A first iteration was 1998, but there have been some other iterations and modifications. This is really a working model, Mr. Congressman, there's been a lot of continuing work, and as I mentioned earlier we are continuing to do work on it to further refine and, to further take into account some of the issues we identified as you start putting information in and looking at information that comes out, to further improve it. And, for instance, some of the issues that have been brought up by GAO, such as coming up with a better way to determine the actual time it takes to do some of the functions that were put in as actual workload totals.

Mr. BECERRA. But the concerns that Ms. Ekstrand and the GAO raised continue today. Have you made any dramatic changes in the way you allocate staff or resources within Customs geographically in the last 2 or 3 years?

Mr. WINWOOD. No, we've been doing the best we can with the information we have, doing proper allocations based on what's appropriate.

Mr. BECERRA. So, the criticisms leveled by GAO remain outstanding?

Mr. WINWOOD. I would suppose so, that's why, Mr. Congressman, the whole idea of the RAM is to give us a more scientific, analytical, statistical approach to be able to better allocate those resources.

Mr. BECERRA. I think we all agree. So let me ask you again, do you have any sense of when you will complete your review of RAM?

Mr. WINWOOD. I do not because it's in the hands of the Treasury Department and the Office of Management and Budget right now.

Mr. BECERRA. Give us the name of the person at Treasury or Customs who you believe best can give us a sense of when Treasury or Customs will complete its review of RAM and disclose what its recommendations will be.

Mr. WINWOOD. Well, I don't have the name for you today, Mr. Congressman, but would be glad to find out who that might be.

Mr. BECERRA. You can't give us the name of someone right now who you think is most responsible for that?

Mr. WINWOOD. Well, I can just tell you, Mr. Congressman, it's in the hands of the Undersecretary of the Treasury and the Assistant Secretary for Management. They have the staff over there to look at this, who is actually looking at it right now I can't tell you.

Mr. BECERRA. What's the name of the Undersecretary?

Mr. WINWOOD. The Undersecretary for Enforcement is Mr. James Johnson.

Mr. BECERRA. James Johnson.

Mr. WINWOOD. But, I'm not saying, in any way, that he is the one physically looking at it right now.

Mr. BECERRA. Mr. Chairman, and I know this is not my committee, but I would—everything I say, I hope that whatever is being provided will also be provided to those of us who sit on the Ways

and Means Committee. We do have jurisdiction over authorization of resources to the Customs and Treasury Departments.

I'd be very interested in finding out who it is we contact to find out what the status of RAM is, because it's been 2 or 3 years GAO, no one is saying from Customs that GAO was incorrect or it was misdirected in its findings, and if you've been working on RAM it would be very helpful for those of us who have to allocate dollars to make decisions to have some sense about where you are going to head, because it's tough for us to feel comfortable giving you dollars if we are not sure it's going to be used wisely, and second, if it's not going to be appropriated fairly. So, it would be very helpful if you could get that information to us, or give us the name of someone to contact.

Mr. Chairman, if I may go on, I still have a couple more questions.

ACE, can you tell us where you are with ACE, in replacing the ASE system?

Mr. WINWOOD. Well right now we are in the process of preparing and finding additional money so that we can put out the request for bids for the prime contractor.

Mr. BECERRA. Where are you going to get the money?

Mr. WINWOOD. Pardon me?

Mr. BECERRA. Where are you going to get the money?

Mr. WINWOOD. Well, the money right now, as we have identified, there's a $12 million need, we have identified, approximately, I believe, $7 million of it, and looking for Treasury to help us with the other $5, so we can get the bid out on the street, the solicitation. We've also found some additional money from what we call ACS life support, there's an ongoing repair, maintenance, and upgrades to keep ACS as viable as possible while we are going through this transition. We hope to have all that money found the remainder of this year so we can get the bid out.

Once the bid is out, then the challenge is, as I mentioned, our 2001 budget request, we requested approximately $338 million in our budget request, $210 million of that would be for the beginning development and building of the ACE program, starting in 2001. Our hope would be, if we have continual predictable funding, using a prime contractor and paying for the MITRE services also to make sure we have an outsider overseeing the development of this project, our hope would be that we'd have a 4-year developmental cycle, so we'd have it in 4 years.

Mr. BECERRA. So, you have internal moneys to begin the bidding process.

Mr. WINWOOD. Right now we've identified a good portion of that, we're still looking for the rest of it so we can get the RFP out on the street.

Mr. BECERRA. How much do you need?

Mr. WINWOOD. $5 million.

Mr. BECERRA. Additional?

Mr. WINWOOD. Yes. We've found $7, we're looking for the additional $5 million within our budget for 2000.

Mr. BECERRA. Within your budget, you are not asking Congress for that additional money?

Mr. WINWOOD. No, sir, between the Treasury Department and the U.S. Customs Service, we are looking for moneys from the unobligated funds, etc., from 1999 and 2000 to be able to have the proper funding to get the RFP out.

Mr. BECERRA. So, Congress need not concern itself about whether you could begin the bidding process, you are saying that internally you'll find the moneys to begin that process?

Mr. WINWOOD. Yes, sir, to get the bid out on the street. The bigger issue is getting the appropriations so we can start the construction, because once you put it out——

Mr. BECERRA. That's what I wanted to get to.

Mr. WINWOOD [continuing]. You get a prime contractor to bid, and then you'll need the funds to be able to start that process in 2001.

Mr. BECERRA. Let me ask you a question on that then. Of the $1.2 billion or so that it's estimated that this new system will cost, you are requesting, what was it, $380?

Mr. WINWOOD. $338.4 million in 2001.

Mr. BECERRA. How much of that takes the form of new fees?

Mr. WINWOOD. New fees?

Mr. BECERRA. That you are requesting that Congress allow you to charge?

Mr. WINWOOD. One of the proposals by the administration is that the $210 million for ACE development for the first year, 2001, is a user fee to get that money into the General Fund.

Mr. BECERRA. That's on top of any existing user fees?

Mr. WINWOOD. I believe so, yes.

Mr. BECERRA. OK, and the remainder, is that an appropriation?

Mr. WINWOOD. Yes, sir.

Mr. BECERRA. I think it becomes fairly clear to the Customs agency and to Treasury that a user fee is almost a non-starter, at least in this Congress, and it has been in the previous Congress, and I suspect will be a non-starter in the succeeding Congress. If that's the case, and I don't think my colleagues will disagree with me, that's probably the case, how are we going to fund a system that you yourself admit you vitally need, but don't have the money for and every time you have an administration that requests a new fee that will never get passed, you're going to end up with nothing, except a study or a bid that you can't put out?

Mr. WINWOOD. It's an interesting challenge. I can only tell you our need. I'm here to represent to you that what we are proposing, and the amount of money it takes——

Mr. BECERRA. Can you tell us if there's been any change in thought by the administration about the use or the recommendation of a new user fee for the payment of ACE?

Mr. WINWOOD. I cannot tell you that, I don't know what the thinking is. I just know that's the proposal right now from the administration, and that's the best I can do. I know that we were with Kolbe the past several days, and he has some very strong views from his committee as to how it should be funded, and he has proposed that he will work very hard to help find money to help us build the program.

Mr. BECERRA. Have you all considered coming to us and making the case that you are entitled to receive more of an appropriation,

straight dollar appropriation from us, because you already have a merchandising fee that collects close to $1 trillion, and it could be used for that very purpose?

Mr. WINWOOD. There have been numerous proposals and ideas, like I said, but not coming from the administration. It's an interesting challenge. I can only speak to what we need. I will tell you the administration's position, and that's the only thing I can repeat today. It's an interesting challenge, and we know what the funding costs are. I think we've done a great deal of work to lay out the best way to do it. We've gone with a prime contractor. We've gone with an outside overseer, MITRE, who has a great reputation. I think we've documented well the architecture necessary, and as the GAO has pointed out we've been doing some tremendous——

Mr. BECERRA. That's all pipe dreams unless you come up with the money.

Mr. WINWOOD. Correct.

Mr. BECERRA. And, you would have, rather than brownouts, you would have blackouts, and we all pay the price, and when we all start clamoring because those imported goods cost us more, simply because we don't have a system that can help us transport those goods inside this country, then we'll do something, but it will be too late.

Mr. Chairman, I still have several questions, but I'll stop because I know we want to keep to our time. We'll go another round.

Mr. HORN. Well, yeah, we'll have another round, but let me pursue this with Ms. Ekstrand, on behalf of the General Accounting Office.

In the last few years sitting on the Transportation Committee, as well as Government Reform, I have found two great computer boondoggles. One is the IRS, where they reviewed this, and I remember that very clearly, and another was the Federal Aviation Administration. I remember as a freshman Mr. Oberstar, the Ranking Democrat with Aviation, took two of us that were particularly feisty, out to look at the FAA. And you walked into the room and you knew right there they don't know what they are doing. And, there was no management, no anything, no go, and they eventually ran it up to $4 billion. And, they were looking at $4 million, then $40 million, and then they didn't pull the plug, and at $400 million they didn't pull the plug, but when they hit the $4 billion they finally realized, gee, if we don't pull the plug this thing is going to go to $40 billion, so they pulled the plug.

So, my question to you is, did you have anything to analyze in either of those situations, IRS, FAA, and is this the third one to grow, and what's your estimate of where they are on this?

Ms. EKSTRAND. This is really Mr. Hite's forte, so let me have him answer for GAO.

Mr. HORN. OK, Mr. Hite, the ball is passed to you. Good luck.

Mr. HITE. Mr. Chairman, interestingly enough, I led GAO's work on FAA's Air Traffic Control Modernization and problems we found there. I currently lead the work on the IRS modernization.

Mr. OSE. You're the guy.

Ms. EKSTRAND. He's the good guy.

Mr. HITE. And, there's a number of——

Mr. HORN. I should say, Mr. Hite's title here is Associate Director, Government wide Defense Information Systems Issue. That's a wonderful gobbledy-gook out of GAO, you know, our own branch would not do crazy things like that. But, go ahead.

Mr. HITE. There are a number of parallels among these major modernization programs, and we have long held that the key to success on these modernization programs is instilling rigorous and disciplined management controls around them. These controls take the form of things like an enterprise architecture, investment management controls, and software engineering process controls.

When we first looked at the ACE program, we generally found a wholesale absence of these things, and we made a series of recommendations along those lines, and I have to say that Customs has been very responsive. The new Commissioner came in shortly after that. He embraced the recommendations and said this is a priority, and they have made progress. On some fronts, they have completely implemented our recommendations, on other fronts they haven't. But in order to complete the recommendations, in part they need funds in order to bring on the prime contractor, because the prime contractor is going to help them in these endeavors.

So, while I would say that they are positioning themselves to begin building ACE, they are not there yet, but they are positioned to begin the ACE program, and to bring on the prime to help them with their initial task orders. These task orders don't get into building systems yet, they don't get into detailed system design, they don't get into software development. You bring in the contractor, one of the first things you have to do when the contractor comes in is, have to set up a program office. One doesn't exist with that contractor, whomever it may be right now, so that takes some time. Another thing they want to do initially is refine and validate the requirements for ACE, because time has passed since those requirements were defined and technology has changed, and the contractor is going to come in and propose its own system solutions. So, that's going to take some time to do.

In the interim, until they get to that point where they are ready to begin building the system, that's the time that they are going to take to institute these rigorous investment management and acquisition management controls. And they have plans in place to do that, but they are not there yet. But, everything is getting lined up for this to be successful. Now, that's not a guarantee of success.

We can talk about IRS. IRS 9 months ago put forth an expenditure plan that was a good plan. We commented, it was a good plan, a good first step, but the key was implementation. And as part of our testimony about a week ago before your committee, part of the point was IRS fell short in the implementation of that plan. So, it's not a guarantee, but at this point in time Customs is doing the right things to position itself for ACE to be successful.

Mr. HORN. As I understand it, the ACE, the Automated Commercial Environment, is the successor of ACS, the Automated Commercial Systems, and we're still using ACS, I believe, and it's 17 years old, and COBOL is the program language, and it's a little back in the 1930's almost, or the 1960's in the case of COBOL when that popped around. So, you are saying you are confident that this par-

ticular process and model, you don't see going down to the $4 billion bit in more rat holes than we could imagine?

Mr. HITE. Well, one predictor of success on a large-scale modernization program is the management structure and process and controls that you wrap around the program to ensure that that doesn't happen. In this case, what we see is that level of management capability could be put in place. And, again, I'll mention it's not a guarantee of success. Using a prime integration contractor acquiring the system is not a panacea, you have to be an effective applier in order for that to happen.

Another parallel between Customs and IRS, because traditionally both organizations were system developers. They developed the systems in-house using their own people. Now they are going to a new model, that's one of acquiring systems. It requires a different set of management discipline and control in order to do that effectively.

Mr. HORN. So, are you familiar with the GAO recommendations on the Automated Commercial Environment system, and has Customs implemented them?

Mr. HITE. Yes, sir, I am. As a matter of fact, I crafted every one of those recommendations, every word in them.

Mr. HORN. OK.

Mr. HITE. And, they have, in fact, fully implemented some of the recommendations concerning the definition of an enterprise architecture and managing ACE within that context, recommendations concerning ITDS, which was the Integrated Trade Data System that Treasury was developing, which was at odds with ACE, and involved some duplication and incompatibility. They have since merged the two programs, so they have, in fact, acted on a number of the recommendations.

There are some that are still outstanding, in fact, they need funding in order to complete those.

Mr. HORN. Yes, that funding the Deputy Commissioner says will be found within Treasury, and in brief it will be reprogrammed money, is that not correct?

Mr. WINWOOD. We have found the money internally through Customs, Mr. Chairman, for preparing to put a solicitation out on the street and the funds necessary to get the solicitation out. We do have the funding to do some of the other things that he is mentioning right now.

Mr. HORN. What's your estimate of what's going to go out on the street?

Mr. WINWOOD. Basically, the $12 million will help set up and pay for and fund an internal management structure, which is one of the recommendations they had, and to get the solicitation out on the street, and all the time, and money and energy and staff hours it takes to review that solicitation. That's what the $12 million is going to do, get the management office set up, get the solicitation out on the street, do all the necessary reviews, and then determine which is the best bidder and the most appropriate person.

Mr. HORN. OK, at this point, how much have you spent on this system? Do you know, Mr. Hite?

Mr. HITE. I know what they spent on the prototype of this system, which is roughly $68 million.

Mr. HORN. So, we've got $68 million in the prototype, and that led to the current system?

Mr. HITE. That led to our review and our set of recommendations, and with the current system——

Mr. HORN. How much maintenance is going on to the current system, besides the $68?

Mr. HITE. That's a different system, that's the Automated Commercial System [ACS], and I believe Mr. Woodwin mentioned the amount that was being requested in 2001 for maintenance of that, I think it was——

Mr. WINWOOD. $123 million.

Mr. HITE [continuing]. $123 million, when you are confronted with a system that's venerable and antiquated like this, you are going to pay for maintenance on something like that. There is proprietary middleware associated with this system, and there is an antiquated data management system associated with this. So, you are going to pay to keep ACS going; it's going to be expensive. But there's no alternative to that in the interim until——

Mr. HORN. This is the 17-year old system using COBOL?

Mr. HITE. Yes.

Mr. HORN. Does that make sense to you?

Mr. HITE. We're on record as saying we need to replace that with a modernized system, not just because it's that age.

Mr. HORN. When you look at major corporations in this country, in terms of how they analyze their personnel needs, wouldn't it make more sense to simply say, let's get a new slate here, and not trying to pick the pieces of the COBOL program stuff that's in here, which you've already spent $68 million on to patch it up.

Mr. HITE. Correct, and that's, in fact, what Customs is doing here. ACS, as a legacy system, is going to be maintained until ACE is developed and brought on board, and they are two different programs. You maintain the current system that works to support ongoing operations, but then you have a separate program designed to bring in the new technology in order to support a new way of doing business.

Mr. HORN. Now, Mr. Hite, I believe our staff's analysis of the GAO report is that you said the model predicts a fiscal year 2000 level for inspection personnel of 166 at Los Angeles/Long Beach, and 442 inspectors for New York/Newark. Now, that's out of this particular program, right?

Mr. HITE. No, sir, that's a different system used for a different purpose, and that's what Ms. Ekstrand was speaking about.

Mr. HORN. Well, which are they using to recommend personnel?

Ms. EKSTRAND. That's the RAM, sir.

Mr. HORN. OK. So you are saying, can you tell me that this isn't going to go the way of the Department of Defense, the FAA, the IRS, and all the rest of them that fool around with computer contracts?

Ms. EKSTRAND. Well, the computer contract business is this ACE system. This RAM model, of course, uses computer technology to do the work, to run the model, but this is a, you know, comparatively low priced computer programming operation compared to this major, major ACE effort. I mean, the ACE system is involved with processing all of the incoming Customs merchandise, all the im-

ports. You know, the RAM system is related to how many staff you are going to have to do that work.

Mr. HORN. Yes, that's the Resource Allocation Model. Now, how old is that?

Ms. EKSTRAND. This is what has been developed by PriceWaterhouseCoopers in the last 2 years. This is something new for the Customs Service, and as we just said a little bit earlier, not quite ready for prime time yet.

Mr. HORN. Well, can we get a realistic dollar figure that they will need to upgrade this or what? What are we getting out of this?

Ms. EKSTRAND. To work on the RAM?

Mr. HORN. $68 million was used on the ACS and we've got $123 somewhere else, so what is it that you think they could use on the Resource Allocation system?

Ms. EKSTRAND. Maybe Mr. Winwood might know what the contracts are currently with PriceWaterhouseCoopers.

Mr. WINWOOD. If I may, Mr. Chairman, I think we are mixing two different products.

Mr. HORN. Right, and I want to separate them out.

Mr. WINWOOD. Yes, we need to separate them out.

Mr. HORN. Yes.

Mr. WINWOOD. The figures on the $68 million for the NCAP prototype, that is automation, that was our first test for how ACE would work in a real world environment; that's the money was spent to develop and maintain, to run it over the last several years. The $123 million we talked about is money in the 2001 budget for the purposes of making what we call ACS life support and further maintenance and development to keep us operating as efficiently as we can while ACE is being developed. The $210 million is additional money requested in 2001 for the beginnings, to pay for the prime contractor and to start the process of validating user requirements and start establishing the necessary controls that Mr. Hite was pointing out for the new ACE environment.

I would leave RAM out of that for a second. The RAM, the Resource Allocation Model, is not associated with the development of ACE, it's completely separate. The RAM, and those figures, is a relatively very inexpensive software application being developed by PriceWaterhouseCoopers; they spent approximately $500,000 to develop over the last 18 months, the iteration is being reviewed. We are going to invest a couple hundred thousand more to take into account the issues that were brought out by GAO and others about having the proper data, the proper data analysis, the proper controls over data to make that model very viable. So, that's very small, that's an aside; that RAM is not associated with the development of ACE.

Mr. HORN. Well, if the RAM produced 166 for L.A./Long Beach, versus 442 inspectors for New York and Newark, do you think that makes sense when you look at the volume going here versus the volume in New York? Granted they've got drugs, granted they've got corruption, the mafia, and all the rest, all the containers out of the Port of New York and Newark, but does that make sense for 166 here versus 442 in New York?

Mr. WINWOOD. The one reason we have not yet used that model, is that we've only run some test data. What you see in front of you,

Mr. Chairman, is probably something that GAO used when they ran the first test of the RAM, to get an indication of what the outputs were. We haven't used those numbers, those numbers are not official numbers. We have not released any numbers, and those numbers were, at least I think, based on an analysis that GAO was doing when they were running the data that we had available to us to see what the outputs would be.

I cannot tell you that those numbers are good or bad until that RAM is completely reviewed and adjustments are made, and we run it officially for the first time, which we haven't done yet.

Mr. HORN. Yes, Ms. Ekstrand.

Ms. EKSTRAND. We received these numbers from the Customs Service. This was output from the model that they provided us.

Mr. WINWOOD. A test run, which was not meant to be indicative of the actual staffing requests. Those numbers were not used for any staffing requests. Those numbers did not appear in any budget requests through our process yet, and we've not yet used the model for official purposes.

Mr. HORN. Well, what you are saying is that GAO looked at the model, they decided to test it and see what the outcome would be, and this is the figure, is that not correct?

Ms. EKSTRAND. Well, we didn't actually do the data analysis. We received this from the Customs Service and PriceWaterhouseCoopers as the output from this model. And our understanding is, as Mr. Winwood said, that this has not been used for any official purposes yet, but this output, plus output that we did not see for year 2001 and 2002, is under review at Treasury now.

But, we were given this year as what came out of their analysis, PriceWaterhouseCoopers and Customs. We did not do any analysis of our own.

Mr. HORN. Well, it sounds like we've got a system that doesn't work and we're putting more money in it.

Ms. EKSTRAND. Well, again, this system will only be as good as the numbers that go into it. So, as long as there are data reliability problems, the system will not be reliable.

Mr. HORN. The gentleman from California.

Mr. OSE. Thank you, Mr. Chairman.

Unfortunately, Mr. Chairman, I look at the clock and I need to leave probably in another 15 or 20 minutes, for which I apologize, and I apologize because as I prepared for this hearing the information as to the importance of the Long Beach and Los Angeles Ports, not only to this immediate area, but to the State as a whole, and basically the southwestern region of the United States, becomes abundantly clear.

Now, what we see is Congress having made a commitment, the State having made a commitment, the community having made a commitment to making Long Beach/Los Angeles extremely competitive. We've invested in the trench. We have doubled our track lines. We are trying to address any number of issues.

Mr. HORN. Translating to Alameda.

Mr. OSE. Correct, but I keep coming back to this question, and many people have accused me of being a business person, and I

plead guilty to that. In a very real sense I get pretty boring when I get focused on that, but I want to come back to a couple points.

First, I want to followup on Congressman Becerra's question having to do with the 100 Customs inspectors and the 214 criminal investigators. I think Mr. Winwood's comment was that there had been no determination where they would go, but the numbers were arrived at by a basis of somebody's judgment about broad categorical evaluations having been made for the need for these numbers.

What I'm trying to get to is, this area, in particular, it's anticipated that trade through this port for the next 3 or 4 years is going to increase by around 40 or 45 percent. And, I am somewhat stunned when you confront that, recognizing that we have staffing shortages here now, how we are unable to say how many, if any, of these 100 Customs inspectors, or 214 criminal investigators, being added to the work force will come here. We can't say that with any specificity, and we can't even get a date as to when we might be able to get that information.

So, Mr. Winwood, I want to come back to that question. This is critically important, as I'm sure you know, to this region, to this city, to the State, however you want to craft it, to this country, however you want to craft it. Could we have a date certain by which time you will tell us how many of these added people will be coming to this port to handle the trade requirement, the processing requirement that we have here?

Mr. WINWOOD. I guess the best way to answer that, Mr. Congressman, is when the budget is passed. That is a proposal for 2001, that's the administration's submission to the Congress, we are waiting for the approval of the budget. When the appropriations occur we'll be able to give you a more firm, definitive answer. That is a number that is yet to be finalized and appropriated.

Mr. OSE. OK.

In the President's deliberations on the 100 added Customs inspectors and the 214 added criminal investigators, how many of those 100, or how many of those 214 were identified for this particular marketplace?

Mr. WINWOOD. I don't have that answer today.

Mr. OSE. When can we get that answer?

Mr. WINWOOD. Again, it would only be a speculative answer, as you understand, because, again, we don't have the appropriation, we do not have that money. And I think the best thing we are trying to do is that, based on when the appropriations are available to us, we have to reevaluate the issues that we have to face as far as the threat, and the workload.

Mr. OSE. I'm not asking you for input as to after the fact congressional resolution issue, what I'm asking for is in the President's deliberations, this 100 and 214 evolve from something, and did that discussion of the 110 and 214 say we need three there, two there, five there, and four here, and when we got around to those numbers how many were designated for Long Beach and Los Angeles, within the President's deliberations?

Mr. WINWOOD. Well, let me make two statements for you, if I may. As I mentioned earlier, we don't have the specific number that's in the budget. I used that 100 as a relative number; that's pretty close, but I don't know the exact figure.

Mr. OSE. But 214 is not very much of a round number.

Mr. WINWOOD. Well, I'm just saying that the number could be 224. I will put the specific number in the record; the 100 may be 99 or 98 for inspectors, the 200 might be 214 or 225. I will put the actual number into the record.

I will also say to you that the 98 or 100 inspectors, at the time the submission went in, were for special programs, for outbound enforcement, for money laundering, for issues associated with State find licensing, munitions for outbound; so a lot of those numbers are looking at areas in which we have to beef up our export and our outbound enforcement for law enforcement purposes.

So, when we talk about the number specifically for Long Beach and L.A. seaport, I don't have a specific number there, but the deliberations revolved around those types of activities.

Mr. OSE. Is that number available? Does somebody have it somewhere?

Mr. WINWOOD. For outbound purposes, and for the——

Mr. OSE. Generically for Long Beach and Los Angeles Port, the outbound or inbound.

Mr. WINWOOD. It will be a small number, I don't know the exact number today, I will just tell you that that 98 represents the needs that the administration put forward for the entire Customs Service.

Mr. OSE. Mr. Chairman, if I may, I apologize for going over. What I'd like to do is, I'm hopeful that you'll leave the record open so that—I don't mean to be presumptuous, I mean, I don't live in the Long Beach/Los Angeles area, but I would like to submit a question for the record.

Mr. HORN. You are doing great, we'll make you an honorary member.

Mr. OSE. To actually get a definitive answer.

Mr. HORN. You'll have to ask the mayor and future mayors.

Mr. OSE. I'm just trying to get to that, because, I mean, asking Congress for money for basically 314 people, I'd like to know where that number comes from. I mean, somewhere, somehow, the component parts of that sum total were developed. So, with your permission, I will submit a question for the record, that can be answered for the record, as to how many will be coming to Long Beach and Los Angeles Port.

Mr. HORN. Without objection, that will be put at this point in the record.

Mr. OSE. OK.

Now, I want to go back, we've kind of spent a lot of time over here on this side, I want to talk to Mr. Gordon and Ms. Kelley a little bit.

I noticed on page 7 of Ms. Ekstrand's testimony the comment about activities in different locations basically consuming a varing portion of time, in other words, processing a passenger in one location might not take the same amount of time in another or processing cargo in one location might be a different time allocation in another. And, I keep coming back to this data, and the Resource Allocation Model, how do we get accurate data so we can have accurate analyses, so we can make accurate decisions?

Ms. KELLEY. I wish I could give you a better answer to that question, because what I have to tell you is that in spite of repeated

requests NTEU has not yet had access to any of the information that went into or out of the Resource Allocation Model. We have been requesting and have scheduled briefings on this that have been canceled. NTEU and Front Line employees had no direct input or involvement into the calculations of those things, so I can't even tell you what was used, if there are inconsistencies, if there is a standard way to measure.

I think the employees who do those jobs would be the people who could answer those questions, and there has been no formal involvement at all with NTEU or those who are represented on that issue. So, I really couldn't even speak to the inconsistencies. I wish I could, because we would very much like to see the model and what went in and what came out.

Mr. OSE. Mr. Gordon, is it accurate, is Ms. Ekstrand's comment accurate in terms of different localities having different efficiencies or inefficiencies in processing passengers or cargo?

Mr. GORDON. Well, from the INS perspective, I can't speak for Customs, as far as processing passengers, yes, there are differences in the length of time. It has to do with facilities. For example, at LAX we have to process passengers arriving at five different terminals. We base our operation at Tom Bradley International, but we have to staff five different areas in various conditions of configuration for moving passengers through rapidly.

Mr. OSE. Well, Mr. Chairman, my time is way over, I apologize for that fact, this must be quite a conundrum?

Mr. WINWOOD. Can I give you an example, if I may, for different processing times?

Mr. OSE. Yes.

Mr. WINWOOD. One of the technologies that we are expanding as fast as we can, and have found very successful, particularly on our border locations, doesn't relate to Long Beach/L.A. because it is about cars.

Mr. OSE. Pictures.

Mr. WINWOOD. For instance, processing of a vehicle, one of the first requirements an officer must do is to query the license plate. One of the pieces of technology is an automated license plate reader. So rather than the officer having to take his attention away from the car, query the license plate number, read the screen and then look at the car, the license plate reader is reading the car that's next in line, so it's automatically doing the query for him.

Mr. OSE. You are taking that bar code technology, for instance, that the railroads have developed and being able to translate license plate numbers into a visual——

Mr. WINWOOD. Right into the automated system.

Mr. OSE. Right.

Mr. WINWOOD. And, it does the query versus the key stroking. So when you take into account the processing of a vehicle in a place that has a license plate reader, versus one that doesn't, there's a time variation. You multiply that over hundreds and hundreds of events, it's going to change the amount of time it takes one location to work versus the other location.

Mr. OSE. Well, let me go right to that. Clearly, you've got different locations around the country, ports of entries and the like, where you've developed prototypical processing facilities.

Mr. WINWOOD. Yes, sir.

Mr. OSE. Which might serve as a model as to, if you will, the best practices that you might be able to implement.

Mr. WINWOOD. Yes.

Mr. OSE. Is the PriceWaterhouse study looking at that relative to, for instance, locations like Long Beach/Los Angeles that have a high volume capacity needs and whether that technology is transferrable, and what the consequence would be?

Mr. WINWOOD. That's one of the caveats in my testimony that I brought out. That's the next phase that has to be done, because that has to be done, and that's one of the next stages that need to be looked at for the future development of a more sophisticated model, as we have more and more information available to us.

The other thing we are looking at is coming up with what a model port would look like, a combination of the right staff, and the right technology, and the right equipment, and we haven't done that work yet.

Mr. OSE. Does your $5 to $12 million number, I'm trying to recall correctly, on the Resource Allocation Model do that?

Mr. WINWOOD. May I stop you there for a second?

Mr. OSE. Yes.

Mr. WINWOOD. That $12 million has nothing to do with the RAM.

Mr. OSE. All right, let me rephrase it. What is it that you are looking at to follow on the PriceWaterhouse study that would give Congress the information that I'm trying to get, in terms of prototype versus specific location?

Mr. WINWOOD. Right, the next phase of the further development of the RAM, is contracted through an ongoing contract with PriceWaterhouse to take into consideration the very things we are talking about; to take into consideration what the GAO found as far as the accuracy of data, the time it takes to do the functions that are put in as raw data. We've asked PriceWaterhouse to look at that. We've also asked them to start considering things such as technology and automation that would take into account reduced processing times versus manual processing times. So that's the next phase. We are asking them to further refine the model they built for us, while the existing model is being reviewed for what it looks like today.

Mr. OSE. Mr. Chairman, I thank you for your generous use of time.

Mr. HORN. Thank you.

The gentleman from southern California, Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman, and I'm going to try to keep my questions short and see if I can get the answers to be short, because I know we are running late. And, Mr. Chairman, unfortunately, I, too, will have to leave shortly before 12, and I think we are going to miss the second panel. I apologize to those witnesses in the second panel, because I did wish to hear their testimony as well.

Very quickly, let me ask Mr. Hite, you touched on this and it's starting to concern me the more I think about this, the longer we take to implement ACE don't we run the risk that ACE will become obsolete for the purpose that it's intended, unless we spend more money to update it, as you say, that already is occurring, because

this was a program that was devised a few years ago now? And, as we know, with anything in technology, like a computer, in these days 2 or 3 years makes that product obsolete.

Mr. HITE. Today's approach to designing large-scale computer systems takes into account what you need to do in order to introduce technology enrichment.

Mr. BECERRA. Into a system.

Mr. HITE. Into a system and to be able to upgrade it and scale it to do more things. So, you build it with that in mind in today's environment. So, you bring on a world class systems integrator, they bring that to the table in terms of their solution, and it's part of the expectations that the government then will levy on the contract to ensure that that, in fact, occurs.

Mr. BECERRA. So, we don't run the risk that ACE will also become obsolete before it is ever implemented?

Mr. HITE. I'm not saying we don't run the risk, I'm saying it's probably a minimum risk given the state of systems engineering among big-time contractors.

Mr. BECERRA. By the way, Mr. Winwood, I just want to make sure this is very clear, you happen to be the representative for Customs and the Department of Treasury, so many of the questions that you get, obviously, will be tough, and I respect your attempts to try to answer. I appreciate that sometimes you have to deal within the confines of what you've been given to work with, and I know often times the answers are more appropriately given by OMB, the Office of Management and Budget, when we are talking about budgets and so forth. So, please understand that. Nonetheless, we do have to ask some pointed questions.

Mr. WINWOOD. Yes, sir.

Mr. BECERRA. Ms. Kelley said something disturbing, that NTEU had no involvement or input in the formulation of RAM, is that true?

Mr. WINWOOD. Why, I think what she said as an organization, may be true. Again, that's best answered by PriceWaterhouse, and who they surveyed, and where they got their information. I will say that a lot of the information gathered for developing the RAM by the contractor was using existing data sources that were already available to us.

Mr. BECERRA. But let me ask this.

Mr. WINWOOD. Yes, sir.

Mr. BECERRA. As you continue in the process of reviewing——

Mr. WINWOOD. Yes.

Mr. BECERRA [continuing]. RAM, what was delivered to you by PriceWaterhouseCoopers, do you think it would be smart to include NTEU in that ongoing review?

Mr. WINWOOD. I think the idea is that once we get a workable model that we can all sit down and analyze, I think it's going to be incumbent upon us to have as many people as possible within the organization take a look at what went in and what comes on, and what the rationale and the reason was behind this. I agree with that.

Mr. BECERRA. I am going to get you to give me an answer that fits in really snug parameters, OK, so what I hear you say is, no,

not until after we're done will we show it to them, is that what you are saying?

Mr. WINWOOD. I'm saying that not until Treasury and OMB approve what we've done so far can we let it out to anybody. That's all I'm saying.

Mr. BECERRA. And, when you show it to them, the NTEU, will it be, this is it, take a look, or this is it, copy it, so we can, perhaps, tweak it again?

Mr. WINWOOD. I would say no, because this is a model that has to constantly evolve, and we will constantly need to modify and change it, because our environment is going to change around us. So, we have to build a very flexible model that's going to take into account the ability to bring new ideas and new input all the time.

Mr. BECERRA. So, that was a no, we won't exclude them, or no we will exclude them?

Mr. WINWOOD. No, we will not exclude them, and the reason is it's an environment that's changing constantly. We will need constant review.

Mr. BECERRA. So, let me make sure on the record we have a clear answer. Are you representing that Customs will allow NTEU to participate in what will become the final product of RAM?

Mr. WINWOOD. I'm saying they will have an opportunity to see it when it is available to us for release. That's the best I can say.

Mr. BECERRA. So, you can't say at this stage that they'll have any chance to provide input into the final product of RAM?

Mr. WINWOOD. As a representative of employees, I can say, yes, they will, but I will tell you, it depends upon when it is released and whether or not it's a model we can use.

Mr. BECERRA. OK, you are confusing me. Let me try again. And as I say, I appreciate your constraints, but I think the committee has to know, because when you come before us and tell us RAM is where we are going, we need this, we have to do that, we are going to continue staffing levels as they are in New York and Miami versus L.A., we're going to want to know how you came about that decision.

Mr. WINWOOD. I understand.

Mr. BECERRA. And, if NTEU comes and testifies and says, we could have told you that this was not going to work, then we're going to ask them, what role did they play, and if they tell us they played no role, and they can come up with some good information, we're going to sit you all down and ask you again why you didn't allow them to participate.

Mr. WINWOOD. Right.

Mr. BECERRA. So, let me see if I can get it again, an answer that fits that parameter. Up to the point where OMB, Customs, and Treasury finish their review, I understand you are saying that no one other than those representatives within Customs, Treasury and OMB will review the RAM document? Until you've finished your review, your department level review, only department authorized personnel will provide input?

Mr. WINWOOD. Until that department level review is completed, the answer is yes.

Mr. BECERRA. OK.

After that department level review is completed, will that document be a final document?

Mr. WINWOOD. The best way I can answer that is to say no, because we've already contracted with PriceWaterhouseCoopers to make modifications and adjustments based on some of the recommendations that have been made by GAO and others as to how to incorporate better data.

Mr. BECERRA. So, the next question is, does that mean that document released after the Department's final review can be amended?

Mr. WINWOOD. Yes, it can be.

Mr. BECERRA. And, within that process of potential amendments, will NTEU be allowed to participate and provide input in potential changes to that document?

Mr. WINWOOD. I believe so. I'm just trying to keep my answers nice and short, but that——

Mr. BECERRA. No, that's a good answer, I like that. My sense is what you are saying is that they will have some input at the later stages before you make final pronouncements. So, you said "I believe so," why complicate it more with further questions. A good attorney knows when to stop.

Let me move on. Ms. Kelley, you mentioned that only 30 of 6,000 containers in the L.A./Long Beach Ports are inspected every day. What happens to the other 5,970?

Ms. KELLEY. They just proceed without inspection.

Mr. BECERRA. So, whatever may be in those containers goes right through, cocaine, contraband, whatever it might be, it just goes right through.

Ms. KELLEY. There is no additional process that I'm aware of that provides for any other inspection.

Mr. BECERRA. Is there any chance that the inspectors could actually examine more of those containers on a daily basis?

Ms. KELLEY. If there were more inspectors, yes. With current staffing, no.

Mr. BECERRA. So, with current staffing the inspectors are performing at what's considered optimal levels?

Ms. KELLEY. Yes.

Mr. BECERRA. Mr. Winwood, would you disagree with anything she said?

Mr. WINWOOD. I won't disagree, but I will say I will not necessarily agree with the number 30. I don't know that to be a factual number. I'll just take it for what it is today. But I will say this, that we do agree that we need more technology, we do need, because of the workload growth, additional resources to address the issue.

Mr. BECERRA. Let's assume, and again this is only an assumption, so I won't keep you to it if to the numbers are incorrect, but assuming that there are 6,000 containers that come into Los Angeles and Long Beach Ports every day, and assuming that what Ms. Kelley has represented is accurate, that the inspectors that they have working at optimal levels can inspect 30 of those 6,000 containers on a daily basis, does it concern you that 5,970 other containers move through the port never having been inspected?

Mr. WINWOOD. Yes.

Mr. BECERRA. Do you think that the response then to that would be that you would try to increase the staffing levels in the Los Angeles/Long Beach Port area?

Mr. WINWOOD. We'd love to increase the staffing of the Customs Service, and to include the Port of Long Beach/Los Angeles.

Mr. BECERRA. No, no. Not enough. Let's talk about what you can do. Would you be recommending that you increase the staffing levels in the Long Beach/Los Angeles Port area?

Mr. WINWOOD. Again, Congressman, I can only do it based on appropriations and the money available to us to do that.

Mr. BECERRA. OK, well, let's move on, and that's a fair answer. As I say, I know some of these it's tough to be responsive.

Ms. Kelley mentioned that there are some 900,000 passengers that come through every year, and there are six inspectors to inspect all those people coming through, is that correct?

Ms. KELLEY. For the seaport, yes.

Mr. BECERRA. I did some quick math, if I didn't forget how to do this manually, that means for six inspectors, 900,000 people, that's 150,000 people that each inspector is, on the average, responsible for on a year, in any given year. If you break it down by a month, that's 12,500 people that are passengers that are inspected by one individual each month. On a daily basis, that's 625 people that must be inspected by one inspector, and on an hourly basis that's 78 people, and if you want to bring it down to the minute, a little bit more than one person per minute that an inspector has to examine as those people are attempting to depart.

Commissioner Winwood, is that enough time to adequately examine people who are entering this country, and maybe doing so for the wrong reasons?

Mr. WINWOOD. If it was absolutely necessary to examine every person, the answer is no. But I will tell you, while I'm not agreeing that six is enough, and I'm not agreeing that that workload is the right workload, that you also have to take into consideration that there is a lot of honest, legitimate travelers we deal with. Our goal and the way we operate is that we don't examine or question every person that arrives on those cruise vessels. And, even if you add additional staff, if we were to get additional staff, we would probably put them somewhere else, rather than on that function.

So, based on your math, those numbers are accurate, but my answer is it is necessary to actually spend that much time with every cruise vessel passenger that arrives here, would be no.

Mr. BECERRA. But, we do need more inspectors?

Mr. WINWOOD. The answer is yes.

Mr. BECERRA. How do those numbers that you just heard for Los Angeles compare to other ports, New York, Miami, for example?

Mr. WINWOOD. I don't have the exact figure in my head for Miami, but I will say that although 900,000, is a lot of cruise ship passengers into a place such as Long Beach/L.A., in Miami there's millions.

Mr. BECERRA. Let me ask Ms. Kelley, do you happen to know the numbers in Miami?

Ms. KELLEY. I do not know, but I will be glad to get them for you.

Mr. BECERRA. If you could provide those to us.

Ms. KELLEY. I'll be glad to.

Mr. BECERRA. If you could do it for the major ports of entry in this country, Miami, New York and others.

Mr. HORN. Without objection, they'll be put in the record at this point.

Mr. BECERRA. Thank you, Mr. Chairman.

I just have a few more questions.

Commissioner Winwood, first let me make sure I acknowledge the work that the chairman has done on the whole issue of the Terminal Island facility and thank him for moving forward so aggressively in trying to address the needs of the employees on that.

My understanding is that Customs, and which is the other department that's been working on this?

Mr. HORN. You mean the General Service——

Mr. BECERRA. General Service, GSA. There's been an agreement now that you will relocate all the workers that are on Terminal Island?

Mr. WINWOOD. I believe so. We've already located the temporary space. I believe the number is approximately 100 to 150 people from Terminal Island into temporary office space off the island, and we put our space needs plan to GSA in the early part of April to temporarily move the remaining employees. They are looking for permanent office space and permanent work space, so we can permanently relocate everybody into one location that's convenient for the employees, homogenous, and also convenient to the work site.

Mr. BECERRA. Tell me the last date that there will be a Customs employee on Terminal Island.

Mr. WINWOOD. I can't answer that.

Mr. BECERRA. How long do you think it will take before you are able to remove all the employees from Terminal Island?

Mr. WINWOOD. In all fairness, I think that question is best asked of GSA. We are pushing them as hard as we can. They are the ones that find the space, they are the ones that help us move. I cannot answer that.

Mr. BECERRA. I've got to tell you that those are all disturbing responses, but——

Mr. WINWOOD. If I add for the record, though, Mr. Congressman, it's disturbing to us, too.

Mr. BECERRA [continuing]. Does that include the chemical laboratory within there, will that be moved out also?

Mr. WINWOOD. That's the second phase. Our first priority are the people within what we call the Customshouse. That's our first priority. The lab facility is relatively new, built within the last——

Mr. BECERRA. Yes, but the people are affected.

Mr. WINWOOD [continuing]. That's the second phase.

Mr. BECERRA. But, you shouldn't be leaving people with asbestos in the building.

Mr. WINWOOD. Right, they are in a separate new building, the lab. So, we are looking at that as an eventual move for the second phase. Our first priority are the people within the old Customshouse, the old building. It's been there for 35–36 years; we're looking to move everybody there as quickly as we can, to get them out of that building and get them into more appropriate workspace.

Mr. BECERRA. I urge you to move quickly. The cost of litigation and liability probably exceeds the cost of finding a different location, even though temporary, and, you know, we always talk in terms of monetary costs, do you want to have your lungs filled with this stuff?

Mr. WINWOOD. Mr. Congressman, I totally agree with you. Commissioner Kelly is pushing as hard as he can. He's put every energy into this to get this——

Mr. BECERRA. I would say that's where government looks so bad in the eyes of the public, is when we come up with answers that say we don't know. And I would really urge you to have Commissioner Kelley, who is a phenomenal individual, and Secretary Sumner, come back and give us some concrete numbers and dates, because these people deserve nothing less than that. They are working for us.

Mr. WINWOOD. We agree, we totally agree.

Mr. BECERRA. But, let's get something concrete, because they've been saying this for the longest time, now we all agree they have to leave, but let's quit having them hang out there wondering when they are finally going to get to leave. It's ridiculous.

One last question, Mr. Chairman.

Commissioner, with regard to the issue of personal searches, you mentioned that there have been some policy changes and you are going to try to do a better job of tracking some of this. What are you doing in terms of enforcement and discipline? Once you find that there's someone who doesn't abide by the new changes, and you find that there are still inappropriate searches occurring, are you doing anything with regards to enforcement or discipline?

Mr. WINWOOD. Yes, we will when it occurs, but I must tell you, Mr. Becerra, the Customs employees and Customs officers take their job very seriously. We have not seen any indication of that. There has been no indication of wrongdoing on the part of employees, and if it would happen, of course, we would take the appropriate action, but I don't believe it's going to happen.

Mr. BECERRA. And, I'm not implying that there has been, I'm just saying that it always helps when people know there's severe punishment at the end of the day if they do the wrong thing.

Mr. WINWOOD. Well, we make sure that our officers understand, Mr. Becerra, that we have policies and procedures. They've been trained, they've been given the proper documentation, and we have all the faith and all the knowledge that they will continue to work diligently. They have, and they continue to do so, and you can see it in the results.

Mr. BECERRA. Mr. Chairman, the witnesses have been more than gracious with their time. I appreciate the extension of time to ask questions, Mr. Chairman. Thank you.

Mr. HORN. Well, I thank you, and all of you on this panel. It's been very helpful information.

We are now going to go to panel two. We are going to take a 4-minute recess, and then we will start in with panel two and give the clerk time to——

[Recess.]

Mr. HORN. And any assistants of your's, we'd like them to also stand and take the oath if they are going to talk and you are going

to yield to them. So, if you'll stand and take the oath, we'd appreciate it, raise your right hands.

The clerk will note that the four witnesses have all affirmed the oath, and we are delighted to start with Yvonne Avila, the president of the Foreign Trade Association of southern California and director of communications for the Port of Long Beach.

STATEMENTS OF YVONNE AVILA, PRESIDENT, THE FOREIGN TRADE ASSOCIATION OF SOUTHERN CALIFORNIA AND DIRECTOR OF COMMUNICATIONS, PORT OF LONG BEACH; MAURINE CECIL, PRESIDENT, THE LOS ANGELES CUSTOMS BROKERS AND FREIGHT FORWARDERS ASSOCIATION, INC.; JUDY GRIMSMAN, CHAIRMAN OF THE BOARD, THE L.A. CUSTOMS BROKERS AND FREIGHT FORWARDERS ASSOCIATION, INC.; AND J. RICHARD WILLIAMS, Ph.D., P.E., PROFESSOR OF MECHANICAL AND AEROSPACE ENGINEERING, CALIFORNIA STATE UNIVERSITY, LONG BEACH

Ms. AVILA. Good morning, Congressman Horn.

As stated, I am Yvonne Avila, director of communications for the Port of Long Beach. Today, I am speaking as the president of the Foreign Trade Association of southern California. I am accompanied by Marian Duntley and Dennis Heck, who serve on the Foreign Trade Association Board of Directors with me.

The FTA of southern California is the oldest and most prestigious trade association, representing more than 400 importers, exporters, manufacturers, retailers, and financial institutions involved in international trade. An adequately staffed U.S. Customs system is important to all of our members.

Before we address our concerns about the Customs system, however, I think it is important to take a look at the growth that is occurring at our southern California seaports, which represent the two largest seaports in the United States and the third largest port complex in the world. During the last 10 years, the volume of cargo containers passing through our southern California ports has grown by 122 percent.

A recently completed cargo forecast indicates that the growth we have experienced since 1990 will continue well into the next two decades. The ports of Long Beach and Los Angeles handled a combined total of 8.2 million container units in 1999. The most recent cargo forecast predicted the two ports will handle 9 million containers in the year 2005. Realistically, we will achieve those volumes this year, 5 years ahead of question.

Projections also show that the two ports will handle a combined total of 12 million containers by 2010, 17 million units by 2015, 24 million units by 2020. Facing projections such as these, you can understand why the FTA is concerned about the adequacy of Customs staffing in southern California.

We believe that Customs must be adequately staffed for some obvious reasons: to collect tax revenue, to detect drugs and illegal imports, to prevent illegal exports, to enforce U.S. intellectual property, to protect U.S. consumers from tainted goods, to provide security at our Nation's ports, and to collect accurate trade statistics for use in trade negotiations.

We also believe that if additional resources are deployed they should be used for purposes directly related to one of the core duties of the Customs Service and in accordance with an objective risk management strategy agreed to by Congress.

Customs resources should be used effectively and not as a club intended to cost importers time and money and as a means of getting your attention. We also believe that Customs must constantly identify ways to balance its staffing and its other resources between enforcement and commercial purposes.

Customs staffing must be spread equitably between all U.S. ports of entry, because under staffing in one particular area means less enforcement and less revenue collected in that area. Under staffing caused by imbalance means some ports are receiving more security at the expense of others. Under staffed ports could be targeted by unscrupulous traders and drug traffickers.

Finally, we believe that the Automated Commercial Environment system must be funded immediately and from the General Fund. We believe this because the existing ACS hardware and software are antiquated and operating at near capacity at all times. We are throwing good money after bad in maintaining the old system. The existing system uses COBOL language, and programmers familiar with this language are increasingly scarce as the technology moves toward internet-based applications. In fact, I think it's probably easier to find someone who speaks Latin.

There are other reasons why we support funding from ACE from the General Fund. The longer it takes ACE to be implemented the more it will cost. ACE would give Customs better tools and increase its efficiency. The Nation's importers are already paying $900 million annually in user fees. No new fees are needed to fund ACE. Other U.S. Government computer systems, as well as the Customs budget, is paid for via the General Fund, why should ACE be different?

I'd like to leave you with a final, yet rather grim message. If the current Customs computer system were to experience an extended brownout, and if cargo could not being cleared through our seaports and airports, this Nation's economy would grind to a halt. Three years ago, southern California seaports were severely impacted by a shortage of rail cars and equipment following the merger of two major railroads. As a result, cargo containers were stacked four high inside our terminals. Labor that should have been used to unload ships was used instead to stack and unstack cargo. Ships sat idle for 5 or 6 days, rather than departing after a day or two. Other ships sat at anchor, waiting for space in overcrowded berths, and importers, exporters, manufacturers, farmers, and retailers throughout this Nation were left without critical links to overseas markets.

What happened in 1997 would pale in comparison to what could happen in if the Customs computer system were to fail. If that happens, it will affect far more ports than those in southern California. It will impact every seaport and every international airport in our Nation. Cargo will not flow and both imports and exports will sit idle without reaching their destinations.

Our Nation cannot afford such an event. The members of the Foreign Trade Association believe that funding for ACE from the General Treasury is one of the best investments you can make in our Nation's economy.

Thank you for giving me an opportunity to address you today.

[The prepared statement of Ms. Avila follows:]

STATEMENT OF YVONNE AVILA, PRESIDENT
FOREIGN TRADE ASSOCIATION OF SOUTHERN CALIFORNIA

Before the Subcommittee on
Government Management, Information and Technology

Thank you for the opportunity to address the Subcommittee on Government Management, Information and Technology of the House Committee on Management Practices at the U.S. Customs Service. I understand you are interested in hearing about resource allocation, automated system modernization, including ACE and ITDS, and port security. My remarks are made in part from the perspective of my employer, the Port of Long Beach, but also from the broader perspective of the Foreign Trade Association of Southern California of which I am currently the President.

The Foreign Trade Association of Southern California (FTA) is Southern California's oldest and most prestigious trade association. Since 1919, the FTA has promoted fair and open trade and has strengthened the international commercial interests of its dynamic membership. Our association of over 400 members consists of the world's largest export/import organizations and international finance institutions as well as representatives from medium and small business ventures, including the related service providers. Our membership ranges from Fortune 100 companies to mom-and-pop operations.

I. RESOURCE ALLOCATION

Customs Staffing – General

The issue of the adequacy of Customs' staffing is important to the government as well as to the users of the system, the importers, exporters, transportation providers and ports, to name a few, who rely on the services of U.S. Customs to keep the flow of goods moving. Customs should be staffed adequately to enable it to perform its core duties, which consist of the following:

- To collect and protect revenue;
- To detect drugs and illegal imports;
- To prevent illegal exports, such as stolen cars, weapons, technology;
- To protect U.S. intellectual property from infringement or counterfeiting;
- To protect U.S. consumers from tainted foods, drugs, medical devices and other dangerous products;
- To provide security at the nation's ports;
- To collect accurate trade statistics for use in trade negotiations, and
- To assist the trade community in complying with the laws administered by the Customs Service.

Every dollar spent on the Customs budget results in multiple dollars of revenue for the U.S. government.

We all agree that Customs must have adequate staffing to handle the ever-increasing volume of trade, particularly through the booming ports of Long Beach and Los Angeles. However, additional staffing, without regard to actual need and the use of that staffing, may not necessarily benefit either the Customs Service or the trade community. If additional resources are deployed for purposes not directly related to one of the core duties of the Customs Service, nor in accordance with an objective risk management strategy agreed to by Congress as well, those resources could be wasted.

For example, Customs currently directs the number and type of physical cargo examinations based on a number of risk factors including country of origin, commodity, manufacturer and importer of record. Partly because of Customs' severely antiquated and unsophisticated computer system, the Automated Commercial System (ACS), the same commodities and importers are repeatedly targeted for examinations regardless of whether those efforts result in violations being found. For example, automakers experience a high rate of exam on daily, repetitive duty-free NAFTA vehicles and parts entering from Canada with little result. Applying additional resources to conduct more of these types of cargo exams and other inquiries of legitimate traders is wasteful without corresponding results.

Customs also makes policy decisions regarding which importers should be targeted for more examinations based on Compliance Assessments which are audits or examinations of import and financial documentation. Even though many of the tests Customs conducts during these assessments are subjective and often measure relatively obscure details such as accuracy with tariff statistical breakouts, failure to achieve an exceptionally high level of compliance can result in substantially higher rates of cargo inspection. In this case, Customs is not particularly interested in the outcome of the inspection, although they are certainly tracked, Customs' stated goal is "to get the attention" of the importer by imposing costly and time-consuming examinations. This is a waste of government resources, particularly when many of these same importers are expending large sums of money to improve compliance rates that are often already above 90%.

To Customs' credit, there have been some recent changes to these Compliance Assessments which should result in fewer companies being labeled "high risk" even though they are over 90% compliant, and thus subject to increased exams. ***However, our members strongly believe that Customs should use its limited resources for examinations targeted in accordance with an objective risk management strategy, not as a club intended to cost importers time and money as a means of getting their attention.***

Customs Resources – Enforcement vs. Commercial

The U.S. Customs Service, as the primary federal inspection agency at the borders, land, sea and air, has dual and sometimes competing missions. On the one hand, Customs is an enforcement agency. On the other, it is a facilitator of legitimate commercial transactions.

Most of the press on the enforcement side relates to high profile drug and contraband seizures or money laundering cases and we all agree the scourge of drugs must be stopped. We will not address resources relating to drug and contraband enforcement at this hearing other than to say that the focus of the U.S. Customs Service should not be so skewed in favor of drug interdiction, that the ability of the Service to address the interest of legitimate traders in the commercial environment is compromised.

The commercial function of Customs consists of responsibility for the collection of revenue plus regulatory compliance. We are believers in the maxim that good enforcement leads to expeditious trade facilitation. That Customs' commercial function is also an enforcement tool is evidenced by the following examples:

- Revenue enforcement;
- Detection of counterfeit goods;
- Detection of illegally infringing goods;
- Dumping/Countervailing duty enforcement;
- Health & safety enforcement (e.g., FDA, F&W, USDA, CPSC, TCSA, EPA, FCC);
- Export licensing enforcement;
- Interdiction of laundered money;
- Correct country of origin marking of goods; and
- Protection of the Made in U.S.A. label. (FTC)

Customs must constantly be on the lookout to balance its staffing and other resources, such as computers, facilities, high-technology inspection equipment and the like between enforcement and commercial interests.

Customs Resources – Equitable Staffing

The growth of international trade in the past decade has been staggering, particularly on the West Coast which has benefited from the historic increase in trade in the Asia Pacific region. Container volumes at the Port of Long Beach have grown by 175 percent since 1990, from 1.6 million 20-foot container units in 1990 to 4.4 million in 1999. At the Port of Los Angeles, container volumes have grown by 80 percent since 1990, from 2.1 million container units in 1990 to 3.8 million units in 1999. Combined volume growth through these two seaports alone was 122 percent, from 3.7 million containers in 1990 to 8.2 million in 1999.

By the end of 2000, the two ports will move approximately nine million container units! This number is five years ahead of the most recent volume projections produced just two years ago by outside experts. Projections are that the two ports will move 12 million units by 2010, 19 million by 2015 and 24 million units by 2020.

This explosion in growth has not been matched by increased Customs staffing to allow continued timely processing of imports or exports. Traditionally Customs staffing on the East Coast has exceeded that on the West Coast for historical and political reasons

beyond the scope of this testimony. But, because the growth rate of international trade on the West Coast has surpassed that on the East Coast in the past decade, the disparity of resources available to Customs in our Southern California ports has grown even wider.

As the result of explosive growth on this Coast, and in particular through the Ports of Long Beach and Los Angeles, U.S. Customs has necessarily adapted its processes to accommodate the ever-increasing volumes it faces. However, the steps Customs has taken, though commendable given its resource limitations, have been reactive, rather than proactive.

Without proper planning and foresight, any approach seeking to address the resources issue associated with high growth will not achieve better results in terms of resource utilization. In other words, simply adding more people without understanding how those people can best be used will not help the situation. The same problem exists in throwing new equipment at the situation.

We are aware Customs has been developing a resource allocation model that may employ an objective means to better estimate the resources needed to address future growth. We applaud any effort to equalize resources and impose uniformity on how resources are deployed and utilized. The model needs to be discussed publicly with the users of the services of Customs and then applied nationally with severe limitations regarding variances allowed at the local port level. Such an approach will help ensure a more balanced resource allocation – of people and equipment.

Customs staffing needs to be equitable between all ports of entry for the following reasons:

- The same enforcement issues exist everywhere;
- Understaffing in a particular area (i.e., West Coast ports) means there is less enforcement and less revenue collected in those ports;
- Understaffing caused by imbalance means some ports are receiving more security protection at the expense of others, which receive less;
- Understaffed ports can be targeted by unscrupulous traders and drug traffickers knowing they will be subject to lesser scrutiny;
- Longer processing time resulting from limited Customs' resources leads to higher prices for consumers;
- Imbalance in Customs staffing can often be directly related to the ability of a region to grow economically, less service means less opportunity; and
- Lack of equitable staffing is an equity issue for users of the understaffed ports who operate in a just-in-time inventory mode.

In summary, Customs staffing must be assigned in accordance with an objective resource allocation model that is fairly and equitably administered between the ports.

II. CUSTOMS SYSTEMS MODERNIZATION – ACE AND ITDS

Customs' Current Systems Resources

The Customs Service's computer system – the Automated Commercial Systems (ACS) – is 17 years old. The failure of ACS could be catastrophic for the American economy. ACS has experienced slowdowns and brownouts over the last few months, jeopardizing the flow of U.S. exports and the critical supply chain for imported products and parts. Large and small corporations would be affected within a short period of time, perhaps as short as eight hours, if inventory supply chains were interrupted by massive ACS failure.

Our experience in 1997 with cargo backlog caused by the failure of one railroad to deliver rail cars to the West Coast serves as an example of how quickly cargo movement can be severely impacted when a critical component is out of service. In that case, cargo containers were stacked four containers high inside of terminals, labor was diverted from unloading ships to stacking containers, and ships remained in port for five to six days instead of the usual one or two days, costing the ocean carriers about $50,000 per day. All transpacific service was thrown off schedule. If ACS crashed, such delays would become common in every U.S. seaport, airport and land crossing and could well bring the American economy to its knees.

ACS is on the verge of collapse. The tremendous increase in international trade in the last decade, as described previously, has placed huge demands on the system. As a result, ACS is running at near capacity most of the time. Such a situation is dangerous because any anomaly or spike in traffic could cause the system to fail. This is not speculation, but reality – ACS has already experienced several "brownouts" caused by excess demands. No amount of maintenance or enhancement can prepare ACS to handle the even larger increases in trade predicted in the immediate future, simply because the antiquated system architecture and equipment is not equal to the task. We have enclosed an illustration, recently distributed by U.S. Customs, of how the growth in international trade and the resulting impact on Customs workload has outpaced the growth in Customs staffing and IT investment funding.

We cannot ignore the clear need for a new system that makes use of the Internet, and which delivers the modern, efficient processing that is absolutely essential for state-of-the-art logistics and supply chain management as well as complete and accurate information for Customs.

Customs ACE Funding

The Foreign Trade Association of Southern California supports funding for the development, implementation and support of Customs' Automated Commercial Environment (ACE). Further, the FTA believes such funding must be appropriated from the general revenues of the United States and not from any "user fee".

We understand the Administration requested a new user fee in its FY 2000 budget to fund the development of ACE. It now appears likely that Congress will not support this user fee, which would likely be challenged as illegal under NAFTA as well as the WTO. In any case, we oppose this user fee, particularly since we already pay a substantial fee for merchandise processing that raises approximately $900 million each year, plus $20 billion in duties, all of which is deposited into the general fund of the Treasury, and none of which is earmarked for the Customs Service.

Nevertheless, because of tight budgetary constraints, it is very possible that Congress could choose not to fund the development of a new Customs computer system at all – a decision that could be devastating to the U.S. economy if the expected brownouts become more common or a catastrophic failure results. The fact is a new computer system cannot be put off; it must be built. The faster the system is built, the smaller the cost and the greater the return on investment in the form of enhanced enforcement capabilities, more accurate collection of duties, and a more efficient U.S. economy.

We strongly urge the Administration and Congress to find a funding solution for ACE from the general fund for the following reasons:

- Most of the nation's exports and imports are already processed through ACS;
- ACS' hardware and software are antiquated and operating at near full capacity at all times;
- ACS maintenance is increasingly expensive because of the ancient hardware- and software - we are "throwing good money after bad;"
- Programmers proficient in the Cobol language used in ACS are scarce (and expensive), thus this archaic form of technical knowledge is disappearing as technology moves to Internet-based applications;
- The longer implementation of ACE is delayed, the more it will cost, thereby strapping existing government resources even further;
- The nation's importers are already paying about $900 million annually in user fees (in addition to $20 billion in duties and other fees) to cover Customs' costs to process importations. Additional user fees are unnecessary since the U.S. government already collects more than enough to fund this automation project;
- Other government computer systems including the Automated Export System, as well as Customs' budget, are paid for via the General Fund - why should ACE be different? And
- Customs' has operated the current computer system for more than 17 years so there can be no question of its value to the U.S. trading system or the ability of Customs' to operate and manage the system.

The Canadian government recently announced a four-year action plan formulated in order to "facilitate the flow of low-risk trade and travel and help make Canadian businesses more competitive; and, free up Canadian Customs officers so that more resources can be dedicated to 'activities that are most crucial to protecting Canada's borders.'" Martin Cauchon, Canadian Minister of National Revenue, was quoted as saying: "The Customs Action Plan will not only contribute to Canada's economic

growth through the streamlined movement of trade and travel, it will also allow us to do a better job at protecting Canadians." The Canadian government also announced that it has set aside $87 million Canadian dollars for the implementation of the Customs Action Plan. The U.S. government should follow the example of its northern neighbor in recognizing the importance of trade to our economy and step up to the plate to pay for the system necessary to support modernized customs processes.

In summary, immediate attention must be given to funding ACE from the general fund to allow Customs to handle effectively current and future volumes of trade. Specifically, we request that you send a letter to Treasury Secretary Larry Summers asking him to request appropriated funds to be dedicated for this critical purpose. A suggested letter is enclosed with this testimony.

ITDS

ITDS is a front-end interface intended to connect all government agencies involved in the trade process through one system. It is our understanding that ITDS is intended to be the method for users to submit data to one location and that data would then be distributed by ITDS to the appropriate government agencies for action in their areas of expertise and jurisdiction. Customs recently was given responsibility for the continued development of ITDS, a positive move in our view since Customs has the most experience in working with import trade automation and the other federal agencies who depend upon it.

The early development efforts of ITDS, championed by the Treasury Department, were leaning in the direction of requiring importers to provide numerous additional data elements, not currently required at the time of importation, in an attempt to consolidate all the government requirements into a single receptacle. While we understand the attraction to this approach, we are concerned that ITDS, as originally designed, would slow the movement of the cargo if some data element was missing, even if it did not affect admissibility or revenue decisions, or if an agency was unresponsive in releasing the cargo. ***Our primary concern with ITDS is that it not become an obstacle to trade by requiring more data than is currently needed and generally provided.***

Impact of Modern Automation on Customs Resources

The FTA supports Customs automation that will reflect the realities of a twenty-first century business environment and at the same time facilitate trade to the greatest extent possible, consistent with effective compliance. Major changes need to be made to the cargo release and entry procedures to recognize current business practices. Those changes, which include reduced entry requirements and aggregate reporting of data on an account-based periodic basis, will impact the design of the ACE system as well as Customs most important asset – its human resources.

The FTA, along with other groups and associations, supports minimizing the amount of data necessary to obtain release to those elements necessary for Customs to make admissibility and release decisions. Such data would include, for example, commodity

classification and description, quantity and country of origin information. Value information is not required for admissibility decisions and thus should not be required at this stage, except for purposes of determining the entry type (i.e. formal vs. informal). ACE, and its front-end interface, ITDS, should be designed to accommodate these reduced entry requirements.

Importers currently report complete invoice information to Customs on each individual importation for purposes of completing the Customs entry requirement, even when all the information is not completely accurate or available at the time or is repetitive and identical from entry to entry. The current approach requires amending the data days, weeks, or months later through a reconciliation entry, supplemental information letter or prior disclosure. Customs' reconciliation procedures, although an improvement over previous manual methods of adjusting the import declaration, are inefficient and cumbersome.

The Customs laws should permit (if the importer so elects) the periodic filing of aggregate import information based on the company books and records kept in the ordinary course of business. This concept is not new, and is currently being supported by a number of trade groups. If accepted by Customs, and enacted into law by Congress, the new reporting process will be dramatically simplified. Any automation effort must anticipate these changes.

In summary, the resource allocation model mentioned earlier, coupled with an objective risk management strategy, both nationally deployed, and supported by a properly designed automation system will result in better enforcement of the Customs Service's mission and enhanced facilitation of legitimate trade. It could even result in the need for fewer or different resources.

III. PORT SECURITY

Both the Port of Long Beach and the Port of Los Angeles provide for their own 24-hour security within their port districts. Their efforts are supported by the Long Beach Police Department, Los Angeles Police Department, and private security forces within each marine terminal. All of these forces work cooperatively with appropriate county, state and federal law enforcement personnel.

U.S. Customs agents have the sole authority to inspect the contents of cargo containers to search for contraband, drugs or other illegal substances. The Ports of Long Beach and Los Angeles support measures to increase the level of U.S. Customs staffing and efficiency at the Southern California ports. The two ports are presently working with local U.S. Customs staff to install a Vehicle and Cargo Inspection System (VACIS) which uses x-ray and gamma ray equipment to view the contents of sealed cargo containers. The ports are in the process of identifying a location for the installation of the equipment.

The security forces at both ports also cooperate with the U.S. Customs Service and with the U.S. Immigration and Naturalization Service to inform the INS of the arrival of stowaways aboard ships and to report any suspected stowaways that are sighted within the harbor districts. The detention of stowaways, however, is under the jurisdiction of the INS.

In general, crime is low in both the Ports of Long Beach and Los Angeles. Most crimes within the harbor are property-related crimes, such as vehicle break-ins. Although regional law enforcement officials estimate that $54 million worth of containerized cargo entering the Long Beach-Los Angeles is stolen each year, most of the thefts occur at warehouses or other sites away from the harbor districts.

Mr. HORN. Thank you very much. We appreciate it.

Now Maurine Cecil is president of the Los Angeles Customs Brokers and Freight Forwarders Association, and she's accompanied by Judy Grimsman, the chairman of the Board, the Los Angeles Customs Broker and Trade Forwarders Association. So, please proceed.

Ms. CECIL. Thank you. Thank you for the opportunity to testify today on behalf of the Los Angeles Customs Brokers and Freight Forwarders Association. The Association is honored to have the opportunity to address the subcommittee. Completion of the automated process, as expressed in our prior testimony in 1997, is essential to the expeditious processing of shipments imported and exported. We thank you for allowing us the opportunity to return today to express our concerns.

We are directly and daily involved with Customs and much of its core business, especially cargo review, release, and duty collections. Our membership is integral to the processing by Customs of both imports and exports, as we are the conduit between Customs and the shipping and importing public. Most importantly, we think Customs must develop a realistic strategic plan addressing its future needs and increases in both the real and electronic worlds.

In the past, we have seen too many different pilot programs started without being permanently adopted. Customs has allocated too great a portion of its resources in pursuit of too many initiatives, often all at the same time and competing for the same resources, resulting in an inability to direct sufficient resources to its core business.

Customs must be willing to take one step at a time in a well-thought-out strategic plan. It should also complete the basic automation process before diverting resources to other new programs.

The overall mission of Customs sometimes seems to suffer if such short-sighted planning is allowed to overwhelm the agency, which is what sometimes seems to be the case from the outside looking in. We have seen too many programs that Customs has failed to complete, due to unreliable funding, forcing the trade to operate with only partial systems available, creating delays and tremendous additional work.

We think Customs would be better served to defer implementation of programs such as AES, Automated Export System, until they have additional funding available. Customs needs to expand its use of technology in the inspection of cargo, such as increased use of non-intrusive technologies such as x-ray units, allowing more efficient and timely examination of legitimate cargo. It is our understanding that 8 to 12 containers can be processed within an hour using the x-ray technology available. I have been told we will be getting one x-ray unit in September.

Importers are already paying and continuing to pay large sums of money for examinations being handled by private companies contracted by U.S. Customs. We support the allocation of money from the General Fund toward the ACE concept, as long as the trade continues to have input into the design of its programs and resulting products meet the needs of Customs' mission. Funds are needed for detection and enforcement, but Customs must also offer support of a realistic understanding of world commerce.

The Association firmly believes that funding for the new ACE must come from the current user fees already being collected by Customs. This fee is currently being sent to the General Fund and is of such a size that it can easily cover the needed appropriations. The current user fees are generally approximately $800 million yearly. The original intent of that user fee was supposed to be to reimburse Customs for the cost of commercial operations, including automation.

We should also keep in mind the concept of ITDS, which was only recently transferred to Customs for completion. ITDS must not be an obstacle to other programs currently being developed under the ACE umbrella. These programs limit the number of data elements needed for release to those necessary to make an admissibility determination. The majority of data needs by Customs and most other government agencies can be provided post entry. The goal of ITDS should be to consolidate the gathering of data, primarily in a post-entry mode, and compliment, not complicate, the single release process already laid out in the early ACE prototypes. Lack of support of automation funding will cause port backlogs, and possible brownouts such as the recent 5-hour outage in Buffalo which would cripple our port and shut down the flow of cargo.

The MOD Act empowered each of the 301 Customs ports, and in many cases the empowerment has created different local interpretations of rules and regulations for entry processing, and headquarters seems unwilling or unable to intercede. Automation should eliminate the need for different local port procedures, which necessarily complicate the release process and add nothing substantive to the process.

The reorganization of Customs has also resulted in a loss of expertise within the agency. As a result of reorganization, the personnel directly involved in entry processing are being reduced. In addition, many of the most experienced Customs personnel have left the agency to join private industry. Customs has not replaced this expertise.

One of the goals of the Customs reorganization and the MOD Act was to discourage port shopping, or the selection of disqualification of a port based on the way in which Customs processes shipments at specific locations. The numbers of entries filed at the Customs port in southern California have continued to grow at amazing rates. The responsibility for the review of this data for admissibility evaluating classification, whether filed electronically or on actual paper, still falls on the shoulders of Customs personnel. Commodity specialists, in addition to their current workload, have been given the task of being port and national account managers, and they are also the main point of interest with primary focus industries.

These people are already overworked, and are now being asked to head up most outreach programs with the trade. They are also often asked to be instructors for Customs for training programs, internal and external. These additional tasks interfere with their primary responsibility of dealing with data review and transaction processing. We believe that the proportion of the number of entries filed at the ports of southern California to the number of import specialists is very high compared to the other ports, notably, New

York, New Jersey. We subscribe to the theory that effective enforcement makes for effective facilitation.

We feel there should also be an equivalent of an ABI representative to coordinate with the trade when they bring on the new ACE program. They should have direct line authority to headquarters, rather than to a local authority, so that there will be a smooth transition and continuity when the system is in place. Customs will also need this sort of expertise internally to help all personnel make a smooth transition.

Until all aspects of trade are totally automated, the location of the local Customs office is critical for timely review of entry paperwork for Customs, brokers, carriers, truckers, importers and individuals. The temporary and/or permanent relocation of Customs should be in a central and strategic area to which the trade has fast and convenient access.

In closing, we'd like to affirm that the Customs Service officials and personnel at the Port of Los Angeles/Long Beach, and Los Angeles International Airport, have always been open, accessible and responsive to the concerns of the Association and its membership. We look forward to the continuation of that open dialog.

I want to thank you also for allowing us to have this opportunity to speak in front of you.

[The prepared statement of Ms. Cecil follows:]

STATEMENT OF MAURINE CECIL, PRESIDENT

LOS ANGELES CUSTOMS BROKERS &

FREIGHT FORWARDERS ASSOCIATION, INC.

Before the Subcommittee on Government Management, Information, and Technology

Thank you for the opportunity to testify today on behalf of the Los Angeles Customs Brokers and Freight Forwarders Association (The Association). The Association is honored to have this opportunity to address the Subcommittee on Government Management, Information and Technology of the House Committee on Government Reform. We understand you are specifically examining the management challenges faced by the U.S. Customs Service and so will address this issue and take the liberty of highlighting a few more.

We are directly and daily involved with Customs and much of its core business especially cargo review and release, and duty collection. Our membership is an integral part of the processing by Customs of both imports and exports, as we are the conduit between the agency and the shipping and the importing public.

In the time since the Mod Act was enacted in late 1993, there have been many changes in the way that the business community and the customs brokers do business. One of the principle reasons for enactment of the Mod Act was to improve Customs' processing by increasing its reliance on automation. This drive to automation has benefited both U.S. Customs and the business community in facilitating the import process. Completion of the automated process, as expressed in our prior testimony (1997), is essential to the expeditious processing of shipments imported and exported.

Management Challenges

Most importantly, we think Customs must develop a realistic strategic plan addressing its future needs and increases in both the real and cyber worlds. In the past, Customs tended to focus on internal solutions to global problems without taking full advantage of commercial resources. We have seen too many different pilot programs started during the past 15 years without being permanently adopted.

Customs Headquarters has allocated too great a portion of its resources in pursuit of too many new initiatives, often all at the same time and competing for the same resources, resulting in an inability to direct sufficient resources to its core businesses (cargo review,

release, duty collection, anti-smuggling, and drug interdiction). This, what appears to be, lack of focus has prevented Customs from utilizing its resources in the most efficient manner. While these initiatives attempted to respond to the sometimes conflicting constituencies which Customs serves, Customs Headquarters must be willing to take one step at a time in a well thought-out strategic plan. It should also complete the basic automation process before diverting resources to other new programs. There is an understandable temptation to commit resources to projects, which are viewed as providing immediate positive feedback when a given constituency complains. However, the overall mission of Customs sometimes seems to suffer if such short sighted planning is allowed to overwhelm the agency, which is what sometimes seems to be the case from the outside looking in.

We have seen too many programs that U.S. Customs has failed to complete due to unreliable funding, forcing the trade to operate with only partial systems available, creating delays and tremendous additional work. By way of example, we mention Air AMS, In Bonds and AES. Customs wanted the Automated Export System. However, it is now asking filers to transmit during non-peak hours or in small batches. Sound advance planning would seem to include adequate equipment and personnel coupled with a reliable funding source. We think Customs would have been better served to defer implementation of AES until additional funding became available.

Customs needs to expand its use of technology in the inspection of cargo. So much time is wasted with duplication of effort, lack of information, hand carrying (by Customs inspectors) of paperwork and cargo because of the lack of up-to-date automation. U.S. Customs needs state of the art inspection equipment and highly automated inspectional facilities. Computers are needed in the field to relay exam findings electronically instead of the information being hand carried between exam facilities and the Customhouse. Customs would also benefit from working more closely with local governments, port authorities, and law enforcement to increase cargo security.

Increased use of "non-intrusive technology" such as x-ray units, and better intelligence, would aid in improving targeting of violative shipments (including those with drugs, IPR violations, etc.) and smuggling attempts, allowing more efficient and timely examination of legitimate cargo.

Importers are already paying, and continue to pay, large sums of money for examinations being handled at private companies contracted by U.S. Customs. We recommend that full facility automation be included as a condition in the negotiations of future contracts with these private contractors. It costs too much for these examinations and they take to long. Both the trade and Customs would benefit from quicker processing.

Automation Funding

We support the allocation of money from the general fund towards the ACE concept, as long as the trade continues to have input into the design of its programs, and the resulting products meet the needs of Customs' mission. Funds are needed for detection and

enforcement, but Customs must also offer support to and a realistic understanding of world commerce.

The association firmly believes that funding for the new Automated Commercial Environment (ACE) must come from the current user fees already being collected by Customs. This fee is currently being sent to the general fund and is of such size that it can easily cover the needed appropriation. Why is Customs the only agency, which separates its computer from the rest of its general overhead in preparing its budget? The current user fees generate approximately $800 million yearly. That user fee is supposed to reimburse Customs for the cost of its commercial operations. Why has no report been issued as required by law to address the actual cost of commercial operations? We find it impossible to believe that cost is $800 million annually.

We should also keep in mind the concept of ITDS, which was only recently transferred to Customs for completion. ITDS must not be an obstacle to other programs currently being developed under the ACE umbrella. Those programs limit the number of data elements needed for release to those necessary to make an admissibility determination. The majority of data needed by Customs, and most other government agencies, can be provided post-entry, preferably in an aggregate manner. Thus, the goal of ITDS should be to consolidate the gathering of data, primarily in a post-entry mode, and complement, not complicate, the single release process already laid out in early ACE prototypes.

Example: The repetitive importations of televisions, which have all the necessary accession numbers on file with FDA. Such shipments should not require review by an FDA officer on a transaction-by-transaction basis prior to release. Each shipment is based on the same accession protocol as the prior ones. Nothing changes. Why does each have to be looked at separately?

Uniformity

The Mod Act empowered each of the 301 Customs ports. In many cases, this empowerment has created different local interpretations of the rules and regulations for entry processing and Headquarters seem unwilling or unable to intercede. For example, the benefits of remote filing have been reduced because of procedures put in place in local ports that counter the original intent of the program as some ports require hard copy documents with various written notations. Automation should eliminate the need for different local procedures, which needlessly complicate the release process and add nothing substantive to the process.

The reorganization of Customs has also resulted in a loss of expertise within the agency. In the past, Customs' commercial operations personnel developed an in-depth understanding of the businesses of the importers whose entries they reviewed. As a result of reorganization, the personnel directly involved in entry processing are being reduced. In addition, many of the most experienced Customs personnel have left the agency to join private industry. Customs has not replaced this expertise, and under its current organizational structure, it is not likely to develop the same product expertise that it

possessed in the past. This loss of expertise, which has largely gone unaddressed by Customs, represents a substantial threat to Customs conducting business at the same level of efficiency it has exhibited in the past.

One of the goals of Customs reorganization and the Mod Act was to discourage "port shopping," i.e. the selection or disqualification of a port based upon the way in which Customs processed shipments at that specific location. Customs does not want importers to choose ports based on the nature of the transaction being processed. The result of Customs reorganization and its "empowerment" of ports is to sacrifice uniformity, thereby enhancing the reasons for port shopping.

Resource Allocation

We have seen nothing to suggest planning has begun with regard to the phase-out of quota processing in 2003. The elimination of this transaction-based activity will free up many highly trained compliance officers, who could address other initiatives. Decisions about how these resources may be deployed could be based on what Customs has learned so far from the resource allocation model study being developed at Headquarters. We think that model should be transparent and objective and address port uniformity throughout the country. It should also be discussed in depth with the trade and then implemented. Port-unique variances should be eliminated as extenuating circumstances allow.

The numbers of entries filed at the Customs ports in Southern California have continued to grow at amazing rates. The responsibility for the review of this data for admissibility, value and classification, whether filed electronically or on actual paper, still falls on the shoulders of Customs' personnel.

Customs Commodity / Import specialists, in addition to their current workload, have recently been given the task of being both Port and National Account Managers, plus being the main point of contact with the Primary Focus Industries. These people are already overworked and now are being asked to head-up most out-reach programs with the trade. They also often act as instructors for many of Customs training programs, internal and external. These additional tasks interfere with their primary responsibility of dealing with data review and transaction processing. We believe that the proportion of the number of entries filed at the ports in Southern California to the number of Import Specialists is very low compared to most other Customs ports, most notably New York.

Training

We subscribe to the theory that effective enforcement makes for effective facilitation. However, that maxim relies on the existence highly trained Customs personnel for both internal purposes and as a resource for the trade, available on a 24-hour, on-going basis. For the ACE program coordination with the trade, the equivalent of ABI representatives, we think they should also be in direct-line authority to Headquarters rather than be responsible to a specific port. Such an approach is a necessity to ensure a smooth

transition and continuity when the new system is in place. Customs will also need this sort of expertise internally to help its own personnel make a smooth transition.

Local Relocation of U. S. Customs Los Angeles / Long Beach

Until all aspects of trade are totally automated, the location of the local Customs office is critical for timely review of entry paperwork for Brokers, Carriers, Truckers, Importers and individuals. The burden of paperwork review by Customs is still higher than anticipated when ABI/ACS was marketed to the trade some 15 years ago. In the case of Los Angeles/Long Beach, the abrupt and forced relocation of the Customs office will likely impact the movement of cargo because Customs will be spread out in many locations. The temporary and/or permanent location of Customs should be in a central and strategic area to which the trade has fast and convenient access.

In closing, we would like to affirm the fact that Customs Service officials and personnel at the Port of Los Angeles/ Long Beach and Los Angeles International Airport have been model partners in forging a strong and amicable relationship between the agency and the importing community. Local Customs officials have always been open, accessible and responsive to the concerns of the Association and its membership. We look forward to the continuation of that open dialog as we move forward in the 21st century with its explosive amounts of trade.

Mr. HORN. Thank you very much.

Ms. Grimsman, the chairman of the Board of the Los Angeles Customs Brokers and Freight Forwarders Association.

Ms. GRIMSMAN. Well, I didn't have a prepared statement today.

Mr. HORN. Well, just what you'd like.

Ms. GRIMSMAN. OK.

One thing I would like, from what I thought I heard the first panel, that the ACS, life support fund not be diverted to the ACE RFP, and they were talking about $12 million, they had $7 and there was $5 that they needed, and I'm not sure if I heard that that's where they were going to look, because it was going back and forth somewhat.

Mr. HORN. Well, they were going to look, basically, at funds within the Treasury or within Customs; what we call reprogramming. When you are at the end of the fiscal year there's always millions of dollars that you haven't quite applied to existing programs, and if you can get a sign off from the Secretary of the Treasury and the ranking and chair of the appropriate committees on the Hill, you are home free. So, that's good, the way we solved the Y2K thing years ago, Director Rains agreed with me on reprogramming, otherwise you waste a year going through the Presidential and congressional budget process. So, that's, basically, looking for money that you can apply to something, but you've got to get a sign off.

Ms. GRIMSMAN. Because keeping that system alive, while we are developing the new system, is absolutely critical, and I think you've heard from all of us that if it goes down for a couple hours, it's a serious problem.

Mr. HORN. Well, Doctor Williams, distinguished professor and expert on all sorts of things. He's now a professor of mechanical and aerospace engineering at California State University, Long Beach. Glad to have you here.

Mr. WILLIAMS. Mr. Chairman, thank you for the opportunity to address new and emerging technologies for Customs processing enhancement. Advanced sensing technologies are becoming available for automated container inspection that will enable INS and Customs to more accurately assess container content, location, and improved targeting of selected containers for manual inspection.

For example, new x-ray devices have been developed that can provide detailed information on container content with the total x-ray dosage much, much less than that of a conventional medical x-ray. A variety of other advanced sensing systems that are safe and effective are also becoming available.

Appropriate new technology sensors as part of an integrated automated system for container inspection can be deployed to facilitate effective interdiction of illegal or inappropriate imports by containerized freight. Detection of human beings attempting to illegally enter the United States by container will be enhanced. As a result, the unscrupulous practice of profiting from the inhumane and illegal smuggling of persons by shipping containers, that has resulted in the tragic and unnecessary loss of human life, will be reduced and curtailed.

INS and Customs are currently pursuing a number of technology initiatives to improve their inspection and processing capabilities, including automated license plate readers, and as you've heard ear-

lier, the sentry systems that use technology to identify enrolled vehicles, people, and display information to the inspector. The vehicle and cargo inspection system, which uses gamma ray images to detect contraband within vehicles and cargo containers, is not only non-intrusive, it can be disassembled, moved and reassembled at another location the same day.

INS and Customs are also developing and deploying a variety of non-intrusive technologies that lessen the physical invasiveness of searches for drugs and other contraband, as well as saving time, money and reducing the tensions of the search. Large x-ray scanners examine entire railroad cars as they cross the border, permitting much more rapid inspection than manual searches.

Big site cargo search x-ray systems, which are currently being deployed, scan the contents of a tractor trailer in minutes, using a pencil sized beam of x-rays that produce detailed transmission and backscattered x-ray images, providing an excellent view of the contents. A person would have to pass through the system 100 times to receive the same exposure as the typical medical x-ray. This non-intrusive search technology is safe to operate and quickly pinpoints concealed contraband.

INS and Customs are deploying a wide variety of hand-operated technologies to examine commercial conveyances which include detection devices, fiberoptic scopes, vapor particle detectors and laser range finders. Broadband encrypted communication systems and computers that can filter data, noting which vehicles need special attention, are also being deployed.

Classification technologies, such as weigh in motion and automated vehicle identification systems, are used in concert with bypass lanes to help border crossings pursue the dual goals of efficient and effective operation. The Transportation Automated Measuring System, or TrAMS, developed and demonstrated at Ft. Bragg by the California State University, Long Beach, Center for the Commercial Deployment of Transportation Technologies, is an example of the new classification technology that can have broad implications for ports and border crossings, particularly, when deployed with additional sensors. Future classification technologies integrated with historical databases may greatly improve the selection mechanism to recognize carriers that are habitual or potential border crossing problems.

New electronic tags, seals, and transponders can be used to allow containers and vehicles inspected at the points of origin to bypass further inspections.

In support of INS and Customs efforts to enhance their inspection capabilities, our university, in collaboration with the Port of Long Beach, the Port of Los Angeles, and the Alameda Corridor Transportation Authority, has proposed a national demonstration project known as the CSULB, INS, and Customs Inspection Technology Infrastructure Project. This demonstration project would include the installation and evaluation of existing and new technologies described previously and the development and evaluation of advanced technology prototypes in the Port of Long Beach, Port of L.A., the Alameda Corridor, and LAX. This project could be crucial to the dissemination of enhanced inspection technologies, ulti-

mately, throughout the United States, as new technology prototypes are proven.

Mr. Chairman, with your permission, I would like to introduce for the record letters of support for this project from Larry Keller, executive director of the Port of Los Angeles, from Richard Steinke, executive director of the Port of Long Beach, from James Hankla, chief executive officer of the Alameda Corridor Transportation Authority, and from Doctor Robert Maxson, president of California State University/Long Beach.

Mr. HORN. Without objection, the letters the gentleman has cited will be put at this point in the record.

Mr. WILLIAMS. The CSULB, INS, and Customs Inspection Technology Infrastructure Project would be a 3-year program specifically designed to expedite the flow and throughput of people and goods at border crossings, and air and seaports throughout the United States eventually. This project would employ advanced technologies to identify people illegally trying to enter the United States, and also expedite the processing of personnel at INS border stations. It would provide an increased ability to identify containers entering and exiting ports, utilizing advanced sensing technologies for automated container inspection that would enable inspectors to assess the content, including human cargo, and improve targeting of selected containers.

It is important that funding for this project clearly be in addition to the existing budget proposals, and not a redirection of funds from some other critical need. INS and Customs are two of America's oldest Federal law enforcement agencies and have been protecting our borders for over 200 years. To perform their missions, they must keep on the cutting edge of technology applications. The same technologies that are available to the government are increasingly available to well-financed criminal and terrorist organizations. It is imperative that Congress provide the funding that INS and Customs need to counter these threats.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Williams follows:]

New and Emerging Technologies for Customs Processing Enhancement

J. Richard Williams, Ph.D., P.E.
Professor of Mechanical and Aerospace Engineering
California State University, Long Beach

Advanced sensing technologies are becoming available for automated container inspection that will enable the United States Immigration and Naturalization Service (INS) and the United States Customs Service (Customs) to more accurately assess container location and content and improve targeting of selected containers for manual inspection. For example, new x-ray devices have been developed that can provide detailed information on container content with a total x-ray dosage much less than that of a conventional chest x-ray. A variety of other advanced sensing systems that are safe and effective are also becoming available. Appropriate new-technology sensors as part of an integrated, automated system for container inspection can be deployed to facilitate effective interdiction of illegal or inappropriate imports by containerized freight. Detection of human beings attempting to illegally enter the United States by container will be enhanced. As a result, the unscrupulous practice of profiting from the inhumane and illegal smuggling of persons via shipping containers that has resulted in the tragic and unnecessary loss of human life will be curtailed.

INS and Customs are currently pursuing a number of technology initiatives to improve their inspection and processing capabilities. INS and Customs are installing automated license plate readers (LPRs) at international border crossings to automatically read front and rear license plates of vehicles entering and exiting the country. A system of cameras and sensors scan the fronts and rears of arriving vehicles and enter the license plate data directly into the computer in about one second. This allows INS and Customs inspectors to direct their full attention to vehicles and their occupants rather than spending time manually entering license plate data into a

computer at the inspection station. SENTRI (Secure Electronic Network for Traveler's Rapid Inspection) systems use technology to identify enrolled vehicles and people and display information and pictures to the inspector. VACIS (Vehicle And Cargo Inspection Systems), which are being deployed at land border crossings, airports and seaports, use gamma ray imaging to detect contraband within vehicles and cargo containers. This system is not only nonintrusive, it can be disassembled, moved and reassembled at another location the same day.

INS and Customs are also developing and deploying a variety of non-intrusive technologies that lessen the physical invasiveness of searches for drugs and other contraband, as well as saving time, money, and reducing the tensions of a search. Large x-ray scanners examine entire railroad cars as they cross the border permitting much more rapid inspection than manual searches. Fixed-site cargo search x-ray systems, which are currently being deployed, scan the contents of a tractor-trailer in minutes using a pencil-sized beam of x-rays that produce both a transmission image and a backscatter image. This provides an excellent view of the contents. A person would have to pass through the system a hundred times to receive the same exposure as a typical medical x-ray. This non-intrusive search technology is safe to operate and quickly pinpoints concealed contraband. Likewise, BodySearch machines deployed at some major airports use x-ray backscatter technology to detect both metallic and organic materials concealed underneath clothing with a radiation dose comparable to the amount of radiation received from the natural environment on a 2-hour plane flight.

Through the application of new technology, INS and Customs can now have suspects remain fully clothed while they walk into a large scanning device that can detect contraband under their clothing. Radiation detectors, the size of a pager, alert inspectors to the proximity of radioactive materials. An array of advanced technologies are being deployed to guard against threats of weapons of mass destruction. In addition, INS and Customs are deploying a wide variety of hand-operated technologies

to examine commercial conveyances, which include density detection devices, fiber optic scopes, vapor/particle detectors, and laser range finders.

Broadband encrypted communication systems will allow operators to disseminate data over wide areas while maintaining information security. Wired and wireless communication systems allow a stand-alone computer at a border crossing to be part of a regional or even global information network, given satellite communication technology. Sensors and scanners at border crossings or ports, as well as remote sensors and transponders, can send information directly to the facility's main computer system for automatic processing. Systems can be developed so that instead of overloading operators with data from various sensors, computers can filter data, noting which vehicles need special attention. If the security systems are tied into this type of a communication system, inspectors can actuate barriers remotely. Having sensors, transponders, and security systems communicate with a central computer system at the port or border crossing allows automatic actuation of security measures when problems are sensed, such as gate runners.

Classification technologies, such as weigh-in-motion (WIM) and automated vehicle identification (AVI), used in concert with bypass lanes, can help border crossings pursue the dual goals of efficient and effective operation. The Transportation Automated Measurement System (TrAMS), developed and demonstrated at Fort Bragg by the California State University, Long Beach (CSULB) Center for the Commercial Deployment of Transportation Technologies (CCDoTT), is an example of a new classification technology that can have broad implications for ports and border crossings, particularly when deployed with additional sensors. Future classification technologies integrated with historical databases may greatly improve the selection mechanism to recognize carriers that are habitual or potential border crossing problems. New electronic tags, seals, and transponders can be used to allow containers inspected at their points of origin to bypass further inspections. Future versions of

these technologies will actively denote the status of the vehicle, driver, and cargo to alert port operators of potentially illegal or dangerous situations. Automated security systems can be designed to contain these vehicles or pedestrians with minimal interruption of regular traffic flow.

In support of the INS and Customs efforts to enhance their inspection capabilities, CSULB has initiated a national demonstration project known as the CSULB, INS and Customs Inspection Technology Infrastructure Project. This demonstration project would include the installation and evaluation of existing new technologies described previously and the development, installation and evaluation of advanced technology prototypes at Los Angeles International Airport, the Port of Los Angeles, Port of Long Beach, and the Alameda Corridor, which serves the two ports. This project could be crucial to the dissemination of enhanced inspection technologies at INS and Customs installations throughout the United States as new technology prototypes are proven. This will have significant benefits as new systems are deployed nationwide. Both INS and Customs are aware of this project and have indicated their support. The Department of Transportation Maritime Administration ("MARAD") has also indicated that they would be an active participant.

The CSULB, INS and Customs Inspection Technology Infrastructure Project is a three-year project specifically designed to expedite the flow and throughput of people and goods at border crossings and air and sea ports throughout the United States. This project will employ advanced technologies to identify persons attempting to illegally enter the United States. These technologies will also expedite the processing of personnel at INS border stations. The project will provide an increased ability to identify containers entering and exiting ports. It will utilize advanced sensing technologies for automated container inspection that will enable inspectors to assess container content, including human cargo, and improve targeting of selected containers for manual inspection. The project is intended to have a force multiplying effect to

maximize the use of current INS and Customs personnel. It will substantially improve coordination between inspection agencies, help to standardize inspection procedures, reduce paperwork, and allow activities to continue beyond normal business hours. The renovation necessary to upgrade the inspection technology infrastructure will not interfere with normal INS and Customs operations.

It is estimated that $15 million will be required to perform the tasks necessary to implement the CSULB, INS and Customs Inspection Technology Infrastructure Project. At least five million will be necessary to successfully initiate this national demonstration project in fiscal year 2001. This finding could be allocated in the Construction account of the United States Immigration and Naturalization Service portion of the Department of Justice section of the Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Bill. There were a number of appropriations for these types of renovation projects in the fiscal year 2000 appropriations bill. It is important that this funding be an addition to the INS budget and not a redirection of funds from some other critical INS need.

INS and Customs are two of America's oldest Federal law enforcement agencies and have been protecting our borders for over 200 years. To perform their missions, they must keep on the cutting edge of technology applications. The same technology that is available to the government is increasingly available to well-financed criminal and terrorist organizations. It is therefore imperative that Congress provide the funding INS and Customs need to counter these threats.

Mr. HORN. We thank you very much for that very thorough and accurate—of the Customs Service, and since the Deputy Commissioner has had to catch a plane, why, if there are any comments you'd like to make, particularly, on Doctor Williams' presentation on the technical aspects, as to whether that would be helpful to the Customs Service.

Ms. JANKOV. Yes, I believe I would like to make just one comment. I have very, very little information about this new project that Doctor Williams is talking about, but I certainly think that there is a role for Customs to play with the other participants of the group, with the Port of Long Beach, with the Port of Los Angeles, and with the members of the Alameda Corridor. And, I would very much like to participate or have Customs represented on that group, because I think it is a group that looks at the Customs needs and requirements, as well as those of the trade.

Mr. HORN. OK, any other reaction to the other witnesses?

Ms. JANKOV. I believe that they've made the case.

Mr. HORN. OK.

I think the gentleman from the Immigration Service had to leave, I don't know if there was a Deputy under him, but if so we'd be glad to have your comments on anything that you have heard here on the technical aspects. Since you are representing the clients, I'd be interested to know what your reaction was to Doctor Williams.

Ms. AVILA. Congressman Horn, the Port of Long Beach is working with U.S. Customs now to identify a location for that non-invasive gamma ray x-ray system, and we do hope to identify that location in order to implement that very shortly. That's referred to as a docking system, and I am sure that we will be able to install such a system within our seaports.

Mr. HORN. Very good.

Well, if there aren't any other questions, we will thank the staff that set up this hearing, and J. Russell George, the staff director for the Subcommittee on Government Management, Information, and Technology, and Mr. Kaplan, the counsel to my left and your right, is the one that put a lot of this hearing together, Bonnie Heald, the director of communications, is also here, and Brian Sisk is the clerk to make sure that everything functions along with Ryan McKee. I want to thank, in particular, the district director for our office, Connie Martinez Sziebel, and her staff, which is located in Lakewood, CA, who serve the 38th Congressional District, we thank her and the intern, Devin Storey, we particularly like his help because he got to get up bright and early this morning to bring Mr. Ose down here.

Port of Long Beach people that have been especially helpful are Steve Sakora, the graphic artist, Arturo Garcia, graphic artist, and Cathleen Stephens is our court reporter.

So, we thank you all for what's made this a successful day, so thank you very much. We are adjourned.

[Whereupon, the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

U.S. Customs Service

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Commissioner of Customs

August 28, 2000

The Honorable Stephen Horn
Chairman
Subcommittee on Government Management,
Information, and Technology
Committee on Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for providing the U.S. Customs Service with the opportunity to testify before you and the other Members of the Subcommittee on Government Management, Information, and Technology on April 20, 2000. Enclosed are the Customs responses to the questions for the record that were asked in your letter to Deputy Commissioner Charles Winwood, of May 11, 2000.

I appreciate your interest in the Customs Service. If we may offer further assistance, please contact me or have a member of your staff contact Mr. L. Seth Statler on (202) 927-1760.

Yours truly,

Raymond W. Kelly
Commissioner

Enclosure

TRADITION

SERVICE

HONOR

FY2001 Governmental Affairs Hearing
Customs Service
Resource Allocation and Staffing

1. **QUESTION:** The Customs Service has requested a staffing increase for fiscal year 2001 of approximately 100 Customs Inspectors and 214 Special Agents. How did the Customs Service come up with these numbers? Where will the new Inspectors and Agents be based? Are there any new inspectors that will be based at the Port of Long Beach? If so, how many?

   ANSWER: The Drug Investigations Initiative of $25 million will fund 214 Agents. Another 97 positions are requested in the Illicit Proceeds Initiative. Eighty-four of the requested positions in this initiative are either Inspectors (80) or Canine Enforcement Officers (4). The remaining positions in the Illicit Proceeds Initiative will perform intelligence, investigations, and legal advice functions, and handle seized assets.

   As in the case of the 214 Agents, the exact number of Inspectors and Canine Enforcement Officers ultimately requested in the President's Budget resulted from deliberations within the Administration over the exact nature of the workload and threat facing Customs at the ports of entry. In addition, the available funding to address these issues was considered.

   At this time, Customs has not determined where it will locate the 214 Agents. As funding becomes more certain, Customs will do a threat and workload assessment to determine where the new agents are most needed. In the case of the Inspectors, the planned allocation is as follows:

Port	Inspectors
Philadelphia	2
FedEx Memphis	4
Eagle Pass	1
Laredo	4
Hidalgo	2
Roma	1
El Paso	4
San Ysidro	4
Nogales	4
Los Angeles/Long Beach	4
Detroit	2
Miami (Seaport)	6
Houston	3
Otay Mesa	2
Douglas	4

Port	Inspectors
Calexico	3
New Orleans	2
Port Everglades	4
UPS Louisville	4
Oakland (Sea)	4
FedEx Indianapolis	2
Cincinnati	4
Portland, OR	2
Baltimore	3
Charleston	3
Savannah	1
Headquarters[1]	1
	80

Canine Enforcement Officers

JFK	1
Detroit	1
Miami	1
Chicago	1
	4

2. **QUESTION:** Describe the methodology that the Customs Service uses to determine how it allocates its staff and resources at various ports around the country.

   ANSWER: Please refer to the response for question number **4**.

3. **QUESTION:** What information does the Customs Service rely on when making budget requests for additional staff and resources?

ANSWER: Customs uses a variety of sources of information on current and prior year staffing patterns, workload and activity time data, projected workload requirements and enforcement threat to develop its budget requests.

[1] We will require a Headquarters coordinator to control this program as these operations are similar in nature to our other programs such as we have for currency (money laundering), stolen vehicles and other contraband (including weapons) being exported by air, sea, rail, and vehicles. These operations are high visibility programs which require dedicated staffing for accurate reporting and supervision purposes at the Headquarters level.

4. **QUESTION:** What performance goals and measures has Customs developed to address the staffing shortages at the LA/Long Beach ports, considering that they are the busiest in the country?

   ANSWER: Many factors are considered in predicting staffing levels. The number of containers arriving is only one of those factors. For example, the following workload growth factors are used to predict seaport staffing:

   Number of inbound containers
   Number of arriving vessels or barges
   Number of Entry Releases
   Number of Entry Summaries
   Number of lines examined for Compliance Measurement purposes
   Number of Entry Summaries reviewed
   Number of outbound conveyances
   Number of Canine Enforcement Officer commercial vessel examinations
   Number of Canine Enforcement Officer cruise ship examinations
   Number of Canine Enforcement Officer intensive container examinations
   Number of Canine Enforcement Officer container sweeps.

   There are other assumptions relating to activity times. For sea containers arriving the growth assumption was 20.53% over 1998 levels.

5. **QUESTION:** Customs contracted for the resource allocation model in September 1998 and the model was completed in March of 1999. Why is taking so long for Customs to review and analyze the results of the Model? When can the subcommittee expect to receive the results of the model?

   ANSWER: The model uses data from existing Customs automated applications all of which use different coding schemes to identify organizations. The model uses only one identifier for each location. A significant amount of time was used to verify that data was being added into the right location identifier. A significant amount of time was also spent verifying that the input data was accurate.

   Only the software to operate the model and the initial database were delivered in March of 1999. None of the assumptions about future conditions were included. Customs did not want the contractor setting those assumptions. All of the assumptions needed to be set, agreed to, and loaded into the software, which calculates predicted staffing levels. That was a significant undertaking which took longer than originally estimated.

   The model is capable of performing many tasks. Customs needed to test each of those tasks to verify that they were performing accurately. As with any new application, there is a learning curve during which users become

familiar with the application capabilities and uses for the results of those capabilities.

Customs provided the results of the model for Fiscal Year 2002 to the Department of the Treasury and the Office of Management and Budget on February 25, 2000. Both organizations have been briefed on the model methodology and the results but neither has completed its review as of July 27, 2000. Results will be shared once guidance has been received from the Department and OMB.

6. **QUESTION:** Identify each contract Customs has entered into related to the resource allocation model. Include the name of the contractor, the purpose for the contract, and the dollar amount for each contract.

   ANSWER: All contracts were with PricewaterhouseCoopers.

Contract	Amount	Purpose
CS-H-98-00912-9	$487,740	Model development
CS-H-99-00161-2	13,550	Travel
CS-H-99-00579-5	29,850	Additional software development
CS-H-99-00851-8	362,678	Implementation/Analytical support
CS-H-00-00505-8	86,346	Analytical support/Software refinement
TOTAL	$990,170	

7. **QUESTION:** The Customs contract for the resource allocation model called for a "service-wide, zero-based resource allocation model." Please describe what a "service-wide, zero-based resource allocation model is. How would this model assist the Customs Service in deciding how to allocate its resources?

   ANSWER: Page 2 of the Statement of Work issued to prospective vendors for development of the resource allocation model defines "zero-based" as meaning, "Identify optimal staffing levels on the assumption that no current staff exists to meet the current workload at any given location, with the ability to encompass situation scenarios."

   What was developed by PricewaterhouseCoopers is a resource allocation model that starts with a baseline and allows adjustment to each of the major assumptions such as workload, workload activity time, overtime usage, mission support ratios and others. Customs and the vendor found out very early on in the process that there was really no effective way to develop the model without using data on past performance and workload. Customs opted

to use past knowledge of performance and workload to improve future performance rather than to ignore data on past performance and workload.

The question needs to complete the quotation with, ". . . with the ability to encompass situation based scenarios." Situation based scenarios allow Customs to look at staffing requirements if situations vary beyond normal expectations based on past performance or workload. This capability allows Customs to consider other events or conditions which could affect staffing such as the level of automation at each location, the types of commodities imported, facility constraints, number of facilities which must be staffed within each port, and labor agreements.

The resource allocation model is only one tool used by Customs executives to make resource level determinations. It is not the end and be all for decision-making. Customs had been faulted for not having a consistent, statistically valid method for determining resource requirements. The model corrects that deficiency but it is not the only input used for making resource level decisions.

The question implies a use for the results of the model for a purpose other than that for which it was intended—reallocating existing staffing. Because the workload faced by Customs continues to grow at significant rates and that workload increase is a significant factor in the model's calculation of staffing needs, no location was found to be overstaffed for Fiscal Year 2002. The model did not identify a pool of resources, which could be transferred from one location to another. The issue is not that one port has more resources than another; the issue is that both ports have the right number of people, in the right occupations, and in the right places to be able to perform their jobs and achieve the desired results.

8. **QUESTION:** The resource allocation model delivered to Customs in March 1999 used fiscal year 1998 data as the baseline. Is the use of fiscal year 1998 data consistent with the zero-based model requested by Customs in its contract? How does the use of fiscal year 1998 baseline data impact the results of the model? Why did Customs use fiscal year 1998 workload data as the baseline for its resource predictions? Would the use of 1998 as the baseline perpetuate differences in service levels between the ports?

   ANSWER: Fiscal Year 1998 data was used because it was, at the time the model was developed, the last full fiscal year for which data was available. The data used by the model is drawn from several existing automated systems. It is more than just workload data. Unless activity times are changed for individual locations, the use of Fiscal Year 1998 data assumes that the same business processes are used for each of the fiscal years for which staffing levels are projected.

One of the most powerful features of the model is the capability to perform "what if" analysis. For example, Customs could use the model to predict the impact of reducing Inspector overtime on resource requirements. Customs can use that capability for all locations or for individual locations. That capability neutralizes any bias resulting from baseline data, if any bias exists.

The number of staff assigned impacts service levels but it is entirely possible that given facility constraints, activity times, enforcement results, and other factors, the number of staff required to produce the same service level could vary drastically from one location to another.

Since the software and data base were delivered, data for other fiscal years has been loaded so that there is additional information on past performance and workload which can be considered as part of the model's calculations.

9. **QUESTION:** The resource allocation model takes into account workload and workload activity time to calculate the number of inspectors needed at each port. The model predicts a fiscal year 2000 level for inspection personnel of 166 for LA/Long Beach and 442 inspectors for New York/Newark. What workload figures were used to calculate these inspection personnel levels?

ANSWER: The number of inspectors projected for Long Beach is only for the seaport. The number of New York/Newark inspectors includes the seaports of New York and Newark, and the Newark Airport.

Many factors are considered in predicting staffing levels. The number of containers arriving is only one of those factors. For example, the following workload growth factors are used to predict seaport staffing:

Number of inbound containers
Number of arriving vessels or barges
Number of entry releases
Number of entry summaries
Number of lines examined for compliance measurement purposes
Number of entry summaries reviewed
Number of outbound conveyances
Number of Canine Enforcement Officer commercial vessel examinations
Number of Canine Enforcement Officer cruise ship examinations
Number of Canine Enforcement Officer intensive container examinations
Number of Canine Enforcement Officer container sweeps

There are other assumptions relating to activity times. For sea containers arriving, the growth assumption was 20.53% over 1998 levels.

Enforcement results are also considered in the staffing calculations. For example, New York ports have the highest number of currency seizures, for which Long Beach is in the 19th percentile. In addition, the New York staffing numbers include the staff time necessary to process the seized currency.

10. **QUESTION:** The General Accounting Office testified that even a small amount of imprecision in data could have a large effect on the model's results. What is Customs doing to ensure the reliability and consistency of data it uses in the resource allocation model?

ANSWER: Each organizational component with responsibility for collecting, reporting, or using data used by the resource allocation model has established a data quality function within its Headquarters organization. In addition to the formalized quality control activities, the manual review of data in the database disclosed anomalies in a few cases, which were corrected. Other software can be used to identify situations, which are beyond normal expectations so that those situations can be reviewed for accuracy.

FY2001 Governmental Affairs Hearing
Customs Service
Terminal Island Relocation

11. QUESTION: What is the status of Customs plans to relocate its employees from Terminal Island?

ANSWER: Customs has been working closely with the General Services Administration's (GSA) Los Angeles Service Center on the relocation of employees from the Long Beach Seaport located at Terminal Island. Since September 1999, Customs has relocated 152 employees out of Terminal Island to the Long Beach Federal Building. Customs is currently relocating 12 more employees from the Outbound Group at Terminal Island to the Price Centralized Examination Site. We have made these temporary relocations, despite all air quality tests for contaminants registering within acceptable levels established by the Occupational Health and Safety Administration, because of overall conditions at Terminal Island.

12. QUESTION: Have you received a schedule from the General Services Administration outlining the timeframes for the relocation of the Customhouse? If so, when do you expect the move to be complete?

ANSWER: The General Services Administration and Customs met on April 20, 2000, to work out the project schedule for the permanent relocation of the Port employees. The move is expected to be completed by May 15, 2001. The project schedule is outlined as follows:

1. Identify the suitable facilities and request proposals	6/12/00
2. Finish negotiations and award lease	1/15/01
3. Complete buildout and occupancy	5/15/01

In the interim, GSA and Customs are moving employees out of the facility if they experience respiratory problems. In addition, 152 employees have already been moved to alternate facilities. Customs is currently relocating 12 more employees from the Outbound Group at Terminal Island to the Price Centralization Examination Site.

13. QUESTION: Could you provide the subcommittee with the most recent timetable for the move provided by the General Services Administration?

ANSWER: The General Services Administration (GSA) and Customs met on April 20, 2000, and worked out the schedule for the permanent relocation of Port employees. The project schedule is outlined as follows:

1. Identify the suitable facilities and request proposals	6/12/00
2. Finish negotiations and award lease	1/15/01
3. Complete buildout and occupancy	5/15/01

GSA has placed an advertisement for 86,000 square feet of space in the Commerce Business Daily and local newspapers. A market survey is tentatively scheduled the week of June 12, 2000, to visit the space offered by potential lessors. GSA will notify Customs of the successful bidder by August 2000. The permanent move could occur as early as December 2000.

FY2001 Governmental Affairs Hearing
Customs Service
Cargo Environment

Each year millions of containers are imported into the United States. Some of these containers carry cargo that can legally enter the United States, but the payment of a tariff is required for import into the United States. Other containers contain illegal substances, such as drugs. In regard to those cargoes, please provide the answers to the following questions:

1. **QUESTION:** In the case of cargo legally entering the United States, it is our understanding that the identification of the commodity is sometimes falsified in order to avoid a higher import duty. It is also our understanding that pirated products, such as CD's and designer clothing are illegally imported into the United States. Please estimate the loss of revenue to the Treasury due to lower tariff collections due to these factors.

   ANSWER: The estimated loss of revenue for Fiscal Year 1999 is $252 million from all sources. This amounts to approximately 1 percent of total revenue. It is not possible to stratify this loss of revenue by any particular commodity or by other means without losing statistical accuracy.

   For pirated products or other items prohibited from importation, there is no loss of revenue to the Treasury. These items are subject to seizure rather than duty collection. Rather, the loss of revenue from pirated products is a loss to the legitimate holder of the intellectual property rights. Customs does not maintain statistics on such private losses.

2. **QUESTION:** In the case of illegal substances, please estimate the costs associated with their entry into the United States. Consideration should be given to costs associated with law enforcement efforts designed to apprehend drug dealers, costs of prosecution and conviction of suspected offenders, and costs of incarcerating persons caught in illegal activities.

   ANSWER: Customs is statutorily responsible for targeting and inspecting cargo that is suspected of containing secreted narcotics and/or illegal substances and interdicting that cargo if it does contain illicit narcotics. The agency follows up the discovery and seizure of illegal narcotics and/or substances with investigations into suspected individuals and/or organizations that may have conspired to smuggle them. The interdiction and investigative activities comprise the entire drug enforcement program of the Customs Service.

The amount of resources that the agency dedicates to these primary investigative and inspection activities is publicly portrayed as an estimate each year in the National Drug Control Strategy Budget Summary published by the Office of National Drug Control Policy (ONDCP). In FY2000, Customs estimates that it will dedicate approximately $660 million or 35% of its total direct budget, to its drug enforcement mission. Unfortunately, the methodology that is used to derive the drug budget estimate does not include a reliable way to estimate the cargo portion.

The Customs Cost Management Information System (CMIS) collects cost information, which does attribute resources to specific definable activities in the cargo environment for both the inspection of cargo and the follow-up investigations that ensue after contraband is seized. Using CMIS, Customs is able to estimate that the agency spent approximately $44 million to target and inspect cargo suspected of containing narcotics or illegal substances and $42 million to investigate illegal activity in Fiscal Year 1999 or a total of $86 million.

The two stipulations that need to be made about CMIS estimates is that while they do include overhead costs, these costs are apportioned according to FTE "drivers", or the amount of time that Customs personnel spend, in the aggregate, performing specific activities. In addition, the definition of what constitutes an expenditure on drug enforcement is far more restrictive in CMIS than in the estimates provided to ONDCP.

The philosophy behind the ONDCP estimates is that Customs personnel are always on the lookout for illegal narcotics, and that a portion of their whole time on the job is spent doing this. CMIS, on the other hand, only attributes costs that can be operationally connected to the demonstrable suspicion of a particular cargo. In other words, the clock only starts ticking for the amount of time spent inspecting a particular cargo when the decision is made to inspect that cargo, not before. Since Customs actually only inspects a small amount of cargo coming into the country, there are large blocks of time for inspectors that are not attributable to drug enforcement.

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