

**DEPARTMENT OF THE TREASURY****Customs Service****19 CFR Part 101****[T.D. 03-05]****Consolidation of Customs Drawback Centers****AGENCY:** Customs Service, Department of the Treasury.**ACTION:** Final rule.

**SUMMARY:** This document adopts as a final rule, with a clarification, the proposed amendments to the Customs Regulations that reflect the closure of the Customs Drawback Centers located at the ports of Boston, Massachusetts; Miami, Florida; and New Orleans, Louisiana. The closing of the three Drawback Centers is part of a planned consolidation and is intended to promote operational efficiency in the processing of drawback claims.

**EFFECTIVE DATES:** This regulation becomes effective January 24, 2003. The closing of the Customs Drawback Center located at the port of New Orleans, LA becomes effective February 24, 2003. The closing of the Customs Drawback Centers located at the ports of Boston, MA and Miami, FL become effective July 23, 2003.

**FOR FURTHER INFORMATION CONTACT:** Sherri Lee Hoffman, Entry and Drawback Management, Office of Field Operations, U.S. Customs Service, Tel. (202) 927-0300.

**SUPPLEMENTARY INFORMATION:****Background**

Since 1996, Customs has recognized a decrease in both the number of drawback claims and the amount of drawback payments. To verify these trends, and to determine how to most efficiently operate the Drawback Program, Customs conducted an internal evaluation of the program. Customs also retained the services of an independent contractor to review the Drawback Program to ensure that the agency's findings were valid. The findings of both the agency-led review and the independent contractor's assessment indicated the benefits of consolidating the processing of drawback claims by reducing the number of Drawback Centers.

In a Notice to Congress on March 12, 2001, filed in accordance with 19 U.S.C. 2075, Customs proposed the closure of four Drawback Centers. The Senate Finance and House Ways and Means Committees concurred with the proposal for consolidation, but with the

recommendation that only three Drawback Centers be eliminated and the San Francisco Drawback Center remain operational. The Commissioner of Customs concurred with this recommendation and it was proposed to phase-in the closure of the Drawback Centers located at the ports of Boston, MA; Miami, FL; and New Orleans, LA.

On August 21, 2002, Customs published in the **Federal Register** (67 FR 54137) a proposed amendment to the Customs Regulations to reflect the planned closure of these Customs Drawback Centers, and a request for public comment regarding the proposed actions. In that document, Customs described a phased-in closure process whereby the Customs Drawback Centers located at the ports of Boston and New Orleans would close 30 days from the date a final rule adopting the proposed changes was published in the **Federal Register**, and the Drawback Center located at the port of Miami would close 180 days from such date. The document also stated that any unliquidated drawback claims that remained at each of these Drawback Centers twelve months after their respective closing dates would be transferred to another Drawback Center for processing as follows: Remaining claims from Boston would be transferred to the New York/Newark, NJ Drawback Center; remaining claims from New Orleans would be transferred to the Houston Drawback Center; and remaining claims from Miami would be transferred to the Chicago Drawback Center.

In accordance with the proposal, the five Drawback Centers located at the ports of New York/Newark, NJ; Houston, TX; Chicago, IL; Los Angeles, CA; and San Francisco, CA, will remain operational.

**Discussion of Comments**

Fourteen comments were received in response to the solicitation of public comment published in the August 21, 2002, **Federal Register** document. A description of the comments received, together with Customs analyses, is set forth below.

*Comment:* Several commenters expressed concern that closure of three Drawback Centers will negatively impact the level of service at the remaining Drawback Centers. Specific comments were submitted regarding anticipated inefficiencies at the remaining Drawback Centers resulting from:

- Reduction in full-time Customs Drawback Specialist positions;
- Increased workload for remaining Drawback Specialists and failure to

utilize existing Drawback personnel to their potential;

- Transfer of backlogged drawback cases;
- Lack of specific published proposals demonstrating how service levels will be maintained; and
- Lack of realistic methods of determining which Drawback Centers should have been closed;

*Customs Response:* To ensure that the level of service at the remaining Drawback Centers will remain the same as before the consolidation, Customs reviewed the workload of each Center and assessed the burden of any workload that would be transferred to another Drawback Center as result of the consolidation. The determination as to which Drawback Centers would receive drawback cases that remain unliquidated twelve months after closure of a Center was based upon this review. It is noted, however, that the workload transfers that were described in the August 21, 2002, **Federal Register** document have been changed, due to further internal analysis of workloads, staffing and backlogs, and are described in the section of this document entitled "Further Customs Analysis," set forth below.

Regarding staffing issues, Customs recognizes that Drawback personnel levels at the remaining Drawback Centers will have to be routinely reviewed to ensure that the centers are able to sustain pre-consolidation levels of service. Customs is striving to automate and simplify the drawback process to reduce the workload of Drawback Specialists. In an effort to utilize Drawback personnel to their potential, Drawback Specialists will continue to receive annual training.

The Customs Drawback Program has evolved over the years, and the processing procedures in place today are to ensure that the workload increases do not create unworkable backlogs and preserve a pre-consolidation level of service to the trade.

Lastly, Customs notes that its determination to close three Drawback Centers was based on a detailed internal evaluation of the program, as well as the findings of an independent contractor. The findings of the agency-led review and the independent contractor's assessment were based on facts and clearly indicated the benefits of consolidation of the program.

*Comment:* Two commenters requested that the requirement to re-apply for a new letter of intent to operate under a general drawback ruling when transferring from one drawback center to another be waived.