

PANEL 2.—SUMMARY OF ELECTRONIC SUBMISSION TIMEFRAMES BY MODE

| Mode | Inbound | Inbound baseline time-frame for advanced electronic submission | Outbound | Outbound baseline time-frame for advanced electronic submission |
|--------------|---|--|--|---|
| Vessel | All cargo requiring reporting for CBP purposes. | 24 hours prior to lading at foreign port of departure. | All cargo requiring reporting under current Census regulations. ¹ | 24 hours prior to departure. |
| Air | All cargo requiring reporting for CBP purposes. | 4 hours prior to arrival in US. ² | All cargo requiring reporting under current Census regulations. ¹ | 2 hours prior to scheduled departure. |
| Rail | All cargo requiring reporting for CBP purposes. | 2 hours prior to arrival at 1st US port. | All cargo requiring reporting under current Census regulations. ¹ | 4 hours prior to attachment of engine to train to go foreign. |
| Truck | All cargo requiring reporting for CBP purposes. | 30 minutes or 1 hour prior to arrival at 1st US port. | All cargo requiring reporting under current Census regulations. ¹ | 1 hour prior to scheduled border crossing. |

¹ **Note:** As a matter of clarification and definition of the proposal's coverage, United States exports to Canada are not subject to advanced electronic cargo information submission under this proposal unless (a) the merchandise is licensable by Department of State or Department of Defense regulations or (b) the merchandise is transiting Canada with a 3rd country destination.

² **Note:** However, in the case of cargo requiring reporting for CBP purposes that departs for the United States from any foreign port or place in North America (including locations in Mexico), Central America, South America (from north of the Equator only), the Caribbean, and Bermuda, the cargo information must be received no later than the time of the departure of the aircraft for the United States (no later than the time that wheels are up on the aircraft, and it is en route directly to the United States.)

The General Theory

In classical economic theory, the value and volume of the supply and demand for goods and services in a national economy exist under conditions of an equilibrium price for those goods and services, both domestically, through national income accounting components, and internationally, through the net trade component. Disruptions, or changes, in that state of equilibrium occur regularly and frequently, with concomitant changes in supply and demand. Sources of such changes can be of a cyclical, secular or random noise variety, ranging in gravity and comprehensiveness in effect from major, as in large sustained increases in international energy prices, to small, as in damage to a large retailer's distribution center, to negligible, as in the brief closure for periodic maintenance of a single manufacturing plant. Each such significant change results in the economic model's initial equilibrium adjusting and readjusting via the mechanism of elasticities of price with respect to demand until all multiplier effects are exhausted and a new state of equilibrium is achieved, both nationally and internationally via competing goods and services. The significance of change to a new equilibrium will depend on the gravity of that initial change.

The Specific Regulatory Case

In the case of the current considered proposed rule on advanced electronic submission of cargo information, such a proposed rule represents, to one degree or

another, a change in the national and international economic system's equilibrium. To the extent that the rule requires substantive process adjustments by producers, carriers, brokers, importers and exporters, then the proposed rule would represent an effective change in system equilibrium, resulting in subsequent substantial changes in supply, demand and price. To the extent that the rule's effect on trade participants is slight to negligible, then the rule's effect would not measurably alter system equilibrium.

In the sections below, CBP will identify, isolate, explore, explain and estimate the extent of the proposed rule's impact on the national United States economy pursuant to E.O. 12866 and net trade component by means of identifying the process adjustments expected for small business entities under the RFA. The CBP intends to supplement this initial regulatory impact analysis under E.O. 12866, and this initial regulatory flexibility analysis under the RFA with an expanded, more comprehensive follow-up assessment conducted by a private source under contract. The summary of operational change, presented in Panel 2 above, serves as a map to the estimation of the rule's impact.

Commonalities of Proposed Rule

The proposed rule offers certain conditions in common for all trade participants regardless of mode:

(1) Advanced information submission, albeit with different timeframes for different modes;

(2) Mandatory electronic filing;

(3) Costs to be incurred for compliance include those which are recurring and those which are one-time only;

(4) Mandatory use of already existing government approved electronic data interchange systems, notably the Automated Export System (AES) for all export transactions; Automated Manifest System (AMS) with applications for inbound rail, air, and vessel shipments; and other modules, such as the NCAP (National Customs Automation Program) prototype, with special application for truck modal operations;

(5) Internet access to CBP data interchanges for information submission and message transaction;

(6) Submitter's choice to exercise preference to employ third parties for information submission; and

(7) "Just-in-time" manufacturing considerations, common in CBP's prior "Strawman" proposals, are eliminated as a result of substantive reductions in timeframes for prior data submission.

Air Mode Inbound

The proposed rule establishes timeframes of 4 hours for electronic submission of information prior to the aircraft's arrival in the United States, or no later than the time of "wheels-up" in the case of certain nearby foreign areas. Panel 3 below summarizes the volume of inbound air cargo by principal air carrier segment.

PANEL 3.—INBOUND AIR CARGO ACTIVITY, JANUARY 2003

| Air carrier segment | Airway bill volume (in thousands) | Median number of U.S. ports served |
|--|-----------------------------------|------------------------------------|
| Total Volume (355 Active Air Carriers) | 3,270 | |
| (A) Volume of Express Consignment Carriers: Major carriers | 2,410 (73.7%) | 14 |
| (B) Other Air Cargo | 860 (26.3%) | |
| Top 14 Carriers | 460 (14.1%) | 9 |