

analysis assumes that larger carriers will develop their own software integration packages and that existing users of AMS will modify their internal systems to provide the more detailed cargo information. Only carriers that enter fewer than 500 air bills per month incur minimum costs.

*Comment:* Labor costs do not appear to include employee benefits, which would increase the labor rate by 30%.

*CBP Response:* Labor rates used in the final economic analysis are loaded with fringe benefits and overhead.

*Comment:* The "wheels up" requirement will result in a significant increase in staffing to meet deadlines. Air carriers will see a shift from air to truck. The rule will result in a revenue loss of premium services.

*CBP Response:* The final economic analysis estimates the costs of delays for a range of times. These costs include personnel costs. Although it is possible that some short-haul shipments will shift to truck, most shipments from Canada and northern Mexico destined for locations beyond the immediate border will probably still be shipped by air because of the considerable time-savings. Shipments from other parts of Latin America north of the equator and the Caribbean are likely to continue being sent by air.

*Comment:* Significant costs will be associated with changes in operating schedules. A high percentage of express volume is provided late in the day, close to cut-off time. New requirements which force an earlier cut-off time would be a binding constraint.

*CBP Response:* The final economic analysis estimates costs for both delays and service degradation resulting from the new requirements.

*Comment:* Further skewing the results is the fact that no costs are included for training personnel, restructuring operational systems to allow time to receive and submit information, or handling rejected shipments. The proposed scheme would directly negatively impact the key elements of the air cargo business—speed and reliability—and would severely jeopardize the needs of the global shipping community. These costs are not captured in the study.

*CBP Response:* The final economic analysis estimates costs for both delays and service degradation. Rule familiarization costs were estimated based on U.S. wage rates for all modes, but represent a very small part of total costs.

*Comment:* Business will be lost in the transit sector. Shipments transiting the U.S. would be diverted to competitors that do not transit the U.S. The costs of

compliance will have an asymmetric impact, placing us at a competitive disadvantage.

*CBP Response:* The CBP has no basis on which to estimate the percentage of cargo (by weight or value) currently being transshipped through the U.S. that might be diverted through non-U.S. airports.

*Comment:* "Just in time" (JIT) shippers will also be affected by an earlier cut-off time. Earlier shipping or delayed arrival of shipments create higher costs for seller and buyer. Shippers close to the border may switch shipping modes; warehousing costs may increase; inventory and associated carrying costs will rise.

The statement in the proposed rule that JIT considerations are eliminated is simply not true. The CBP has failed to acknowledge the carrier requirements for handling and manifest preparation. Current post-departure manifesting allows manifesting on a different later schedule than sorting and loading. To complete a manifest at wheels up, the carrier will be forced to cut off receipt of shipments several hours earlier, especially for shorter flights, delaying shipments by a day or diverting them to another mode.

Removing even one or two hours available shipping time could remove 20–30% of volume for a specific market. Air carriers (express and conventional) carry time-sensitive parts and supplies every day. The CBP's claim of no impact to JIT fails to acknowledge operational realities of transportation handling requirements, at least for air shipments.

The proposal will require earlier deadlines for shippers. Shippers of perishable commodities such as flowers, produce, and fish will increase their losses from damaged and spoiled product. The cost-benefit analysis overlooks this fact.

*CBP Response:* The CBP's economic analysis for the final rule has estimated the cost of delays and service degradation caused by delays using a logistics cost calculator for a range of delay times and cargo mix (perishables, non perishables).

*Comment:* There is an additional cost for educating customers about the requirements of the rule.

*CBP Response:* The cost of educating shippers is not possible to estimate. The majority of shipments by value or weight are likely from companies that ship on a regular basis. They will incur one-time costs to understand the new requirements. There will always be new shippers entering the system who will need to learn what is needed.

*Comment:* The estimate of 2.41 million air waybills per month for

express carriers is grossly understated. Some carriers use summary manifesting, under which multiple consignments of letters or documents are manifested as one record. One entry may cover hundreds of individual consignments. It is important that each waybill be counted, rather than entries, as the individual shipment record will require screening. The CBP is urged to review these numbers, and validate their accuracy. Understatement will severely affect the calculated capacity and system performance of the Automated Targeting System (ATS).

The number of express air bills counted may only be those requiring formal entry, which represent about 15 to 25 percent of the total shipment count. The real annual number of express bills is closer to 25 million rather than 3.27 million. The economic analysis for USPS resulted in a cost of \$4–\$6 per package.

The number of other air cargo waybills were likely master air bills; no accounting was made for house bills. One may reasonably increase master bills by a factor of 10 for a total air bill count, closer to 8 million instead of 800,000. That leaves about 7 million new transactions to be entered into the automated system for regular air cargo shipments. For the express group, their volume of air bills may be a very narrow slice of what will now be required.

The question is presented as to how CBP reconciles its claim that there is virtually no cost to carriers when CBP estimates an annual cost to USPS of at least \$120 million. While automation does exist in the carrier community, the staggering increase in the number of transactions that will require reporting has a significant cost. Most of the forwarder and airline expense associated with air AMS will be new expense. Using the USPS estimate, the required reporting of potentially 32 million transactions in AMS meets the \$100 million threshold.

The assumption that USPS will not absorb these costs or pass them directly to users implies that USPS may have a competitively advantaged position.

*CBP Response:* The final economic analysis includes cost estimates for entering new information into Air AMS using a range of scenarios to reflect variations in the number of additional bills that will be entered. These cost estimates may be overstated because they are based on U.S. and Canadian wages; many shipments will be arriving from countries where wages are much lower.

*Comment:* The assumption that all large express carriers have AAMS capability at present and need only flip