

# Cargo security, Japanese style

*Shippers on clock to comply with new 24-hour rule for filing manifest, cargo data.*

By ERIC KULISCH

Ocean carriers and consolidators have less than a year to prepare for implementing Japan's version of the 24-hour rule and trade intermediaries familiar with the complex data requirements are urging freight companies to start preparing now to avoid hefty penalties.

The Advance Filing Rule (AFR), or JP24, essentially is a hybrid of the U.S. Automated Manifest System (AMS) for collecting shipment information from liner carriers and non-vessel-operating common carriers 24-hours prior to departure from a foreign port and the Importer Security Filing, which requires importers to submit details about the cargo contents, and parties at origin and destination, 24 hours before a container is loaded on a vessel. The ISF was implemented in 2010, but the system for pre-filing cargo lists to U.S. Customs through AMS has been in place for almost a decade. Before that carriers filed bills of lading through AMS upon arrival at port. The security rules were designed to enable officials to analyze shipping data before cargo reached U.S. shores and assess the risk of smuggling by terrorists.

Other countries have followed the United States' lead, using the framework recommended by the World Customs Organization of advance data collection, risk-based targeting, non-intrusive inspections with X-ray and radiation detection machines, and customs-to-customs collaboration. Canada, Mexico and the European Union also have 24-hour rules for cargo security, and other countries are considering similar regulations.

ISF was a step forward because it provided more accurate information about the actual shipper at origin rather than relying on the word of the cargo agent. The EU system still allows the forwarder to use its name as the shipper, masking the real shipper.

Last March, the Japanese Diet passed legislation requiring ocean carriers and NVOs to electronically submit to Japan Customs information about an import

container 24 hours prior to vessel departure at the port of origin. The law goes into effect next March and there is no informed compliance period, meaning violations for tardy or inaccurate filings will be enforced day one. Carriers and logistics companies that violate the rule will have their filing rejected and shipment denied entry. Japan Customs has also said that those who do not submit cargo information may be subject to imprisonment with labor for up to one year or a fine not to exceed 500,000 yen (about \$5,000), although many details about how the rules will be enforced remain to be finalized.

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*Chris Jones,  
executive vice president  
marketing and services, Descartes*

U.S. exporters and their service providers should not assume compliance simply involves following the same steps necessary to import goods into the United States, experts say. At least 15 of the data elements Japan Customs seeks are not included in the U.S. vessel manifest system. Another difference is that in addition to carriers filing data from the master bill of lading, forwarders must separately transmit house bill data. That means for less-than-containerloads there must be an NVO bill for each shipment inside. Unlike U.S. Customs with the ISF, Japan does not plan to transmit back to the carrier acknowledgment of receipt unless there is an error or exception. It is the responsibility of the filer to ensure the correct timing of the submission. And cargo

that is transhipped at an intermediate port will require two JP24 filings.

Adding to the rules' complexity is a provision that advance manifests can be filed up to time of departure for cargo originating from certain short-distance ports on the Sea of Japan and the Yellow Sea with first port of arrival in the Iwate or Miyagi areas. Japan Customs has issued a table of destination and origin ports in which the filing deadline is relaxed.

Nonetheless, “there’s far more in common than different” between the Japanese and U.S. 24-hour advance data systems, said Bryn Heimbeck, president of Bellevue, Wash.-based Trade Tech, a provider of Web-based logistics applications for global ocean and air freight businesses. Credit goes to U.S. Customs, he said, because the agency has freely shared its risk-management model for supply chain security, including the protocols, data structure, and nomenclature, so other governments don’t have to design their system from the bottom.

One similarity with ISF is that filers will need to classify cargo using the first six digits of the international Harmonized Commodity Description and Coding System maintained by the World Customs Organization.

The Nippon Automated Cargo and Port Consolidated System (NACCS), a quasi-governmental information technology company that builds import/export processing systems for Japan Customs and manages integration with the commercial world, is in charge of collecting the advance shipment data. The Japanese Customs and Tariff Bureau will use the data to carry out automated targeting and determine if any freight should be held for inspection. Japanese companies for years have electronically transmitted customs documents for enforcement of revenue and trade laws, and Japan previously required carriers to submit their manifest after pulling up to the dock. But JP24 marks the first time that both pre-filing shipment information is being done for security purposes and non-Japanese commercial entities will be involved. It also involves providing data at a much greater level of detail than carriers have been accustomed.

It’s important that carriers not load cargo if the 24-hour filing deadline is missed and leave it for the next vessel, Heimbeck said. Carriers and logistics companies ideally should transmit the Japanese advance manifest before the cutoff time so NACCS can notify the carrier if there is a hold on the container or if the filing is rejected because of missing, or imperfect, data. The carrier then has time to make any necessary corrections because Japan Customs does

not recognize a transmission unless it is complete, he said.

Filers must set up electronic payment to pay violations for late filing because cargo will not be allowed off the vessel unless the fine has been paid, Heimbeck said. The impact is more significant than in the United States, where a carrier can post a \$50,000 bond and deal with the penalty notice at a later date without having the cargo held up.

Under Japanese law, any servers transmitting commercial data to the government must reside in Japan so officials can audit filings and make sure information is not being manipulated, according to Chris Jones, executive vice president of marketing and services for Descartes, a cloud-based logistics software provider and collaboration hub based in Waterloo, Ontario. Maintaining a sophisticated computer on Japanese soil is not practical for most foreign companies, so NACSS is certifying service providers such as Descartes and Trade Tech that have the local infrastructure to collect, validate and file the data on behalf of their clients.

As with AMS and ISF, one of the challenges for filers is getting some of the necessary data from customers or other parties in the supply chain.

Descartes and Trade Tech handle filing of AMS and ISF documents to U.S. Customs and have designed their JP24 filing product as an extension of their existing filing systems and supply chain collaboration platforms, thereby minimizing the need for customers to rekey data for different types of paperwork.

Trade Tech's improved functionality enables users to easily track the progress of their filings, according to Heimbeck.

Having carriers and NVOs independently file shipment data creates a challenge matching up the NVO's filing with the carrier's umbrella manifest that lists the NVO as the client. NVOs operating in the United States have two options: they can give their bill of lading to the carrier to file on their behalf with the master B/L, or they can file directly through AMS and list the master B/L number so the two are linked together. Heimbeck said NVOs will have the same ability to link up with the master bill as in AMS.

Carriers will want to know if the NVO has filed the house bill data because they don't want to load vessels with containers that will be rejected and have to be unloaded at the port of origin, or find out they can't unload the box upon arrival at a Japanese port, Jones said. Companies like Descartes can play a coordinating role, he added.

Jones recommended every carrier and NVO bringing goods into Japan register with NACCS. Descartes is collecting that

## SHIPPER TAKEAWAYS >>>

- > Exporters should start talking to supply chain partners around the world to understand how they plan to comply with JP24 and what training they will provide for their staff.
- > Identify the data types in their systems that will be needed to be shared with their freight forwarders and carriers.
- > Once NACCS opens the testing window in the fall for its advance filing system shippers need to check if their logistics and transportation vendors are getting ready because Japan Customs may refuse to unload a vessel if there is a big mistake and there is a potential for jail terms for people who are actively defiant.
  - > Once a vendor has processes in place to transmit data, test it for compliance.
  - > Freight forwarders and carriers should also take the lead to educate their customers to share the necessary data with them as soon as possible so they can meet the statutory filing requirements.



information and will submit it on behalf of clients to obtain the necessary JP24 filing authorization.

"The official NACSS system won't be ready until the summer to process the registrations. But we're saying they need to get in the queue now so NACSS can turn them around quickly when it is ready to go," he said. "The sooner (companies) look at the data requirements, the integration specifications, the better off they're going to be to do the actual filing itself.

"It could be painful for those that show up later in the game," he warned.

Jones said the new security rule adds more work for carriers and forwarders that have to file on their own. "It's all addressable, but given the schedules, they're going to need to move fairly quickly over the next couple of months to make sure they're good to go next March."

Descartes and Trade Tech are working to educate shippers and logistics providers about the JP24 rule by holding seminars

with NACCS in major port cities in China and other Asian nations, as well as hosting webinars. Chinese companies are especially impacted because China is the No. 1 exporter to Japan.

Heimbeck said JP24 furthers the progress made by ISF in standardizing information sharing among international trading partners that prior to any government mandate were reluctant to modify their core IT systems and share what they perceived as proprietary information even while constantly lamenting the lack of transparency into the status of their purchase orders and shipments. In the absence of industry consensus, U.S. Customs defined a data format for security screening that forced companies to collect the necessary data from their partners and in the process increased their understanding of their supply chains.

For more details, visit the JP24 section of Japan Customs' Website ([www.customs.go.jp/english/summary/advance/index.htm](http://www.customs.go.jp/english/summary/advance/index.htm)). ■