ACE: Pathways for Success

What's Different, Key Benefits & Strategies of Leading Adopters

Welcome to our Interactive PDF for leading **brokers** & **importer self-filers**

Please look for the *indicator hand symbol* throughout this document (shown here to the left) which helps to highlight areas of interactivity on some pages.

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ACE: Pathways for Success

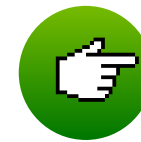*What's Different, Key Benefits & Strategies of Leading Adopters*

Market leaders are taking a systematic approach in their adoption of U.S. Customs and Border Protection's (CBP) Automated Commercial Environment (ACE). They are working to ensure that compliance does not disrupt their business; capitalizing on the potential benefits of the regulation; and taking active steps now to ensure a smooth transition ahead of anticipated deadlines.

Successful brokers and importer self-filers are able to unlock the potential benefits by ensuring that they have a strategy in place to effectively transition to ACE as the new system of record. They are approaching ACE systematically to avoid the pitfalls of a rush to last-minute compliance.

Leading adopters:

- Know which components of ACE could help add to operational efficiency or improve customer service and are helping their customers to onboard where required

- Realize that the transition will impact their business processes and are beginning to apply operational changes within their respective organizations

- Effectively use a single vendor or systems integrator to bring all the critical components of ACE together without changing context or focus

- Are performing a series of internal process improvements and refinements ahead of the deadline to adopt the best internal procedures

Market leaders are effectively leveraging the regulation to their benefit, developing a pathway for success and ensuring that the regulation is constructive, not disruptive, to their operations. This interactive PDF addresses some of the facets of ACE and strategies that filers can use to succeed in today's regulatory landscape.

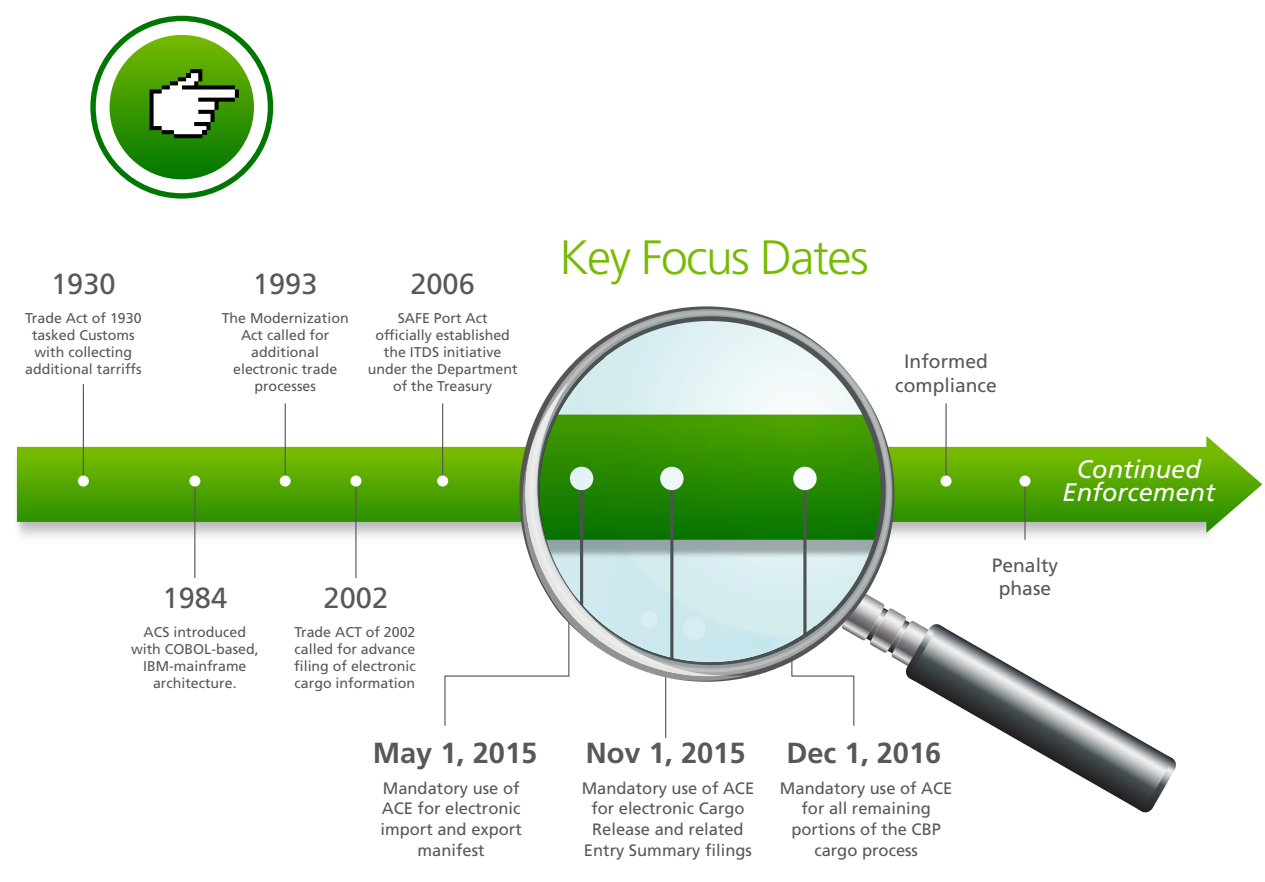**Pathways for Success**

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History

Pathways for Success: Know the Background

As part of the overall North American Free Trade Agreement (NAFTA) implementation, the 1993 Customs Modernization Act or 'Mod Act' changed U.S. customs laws to help apply modern techniques and procedures to the import process. As CBP moved to implement many of the provisions of the Mod Act, it became clear that the existing mainframe-based Automated Commercial System (ACS) established in 1984 was not capable of handling many of the new procedures called for in the regulation. Requested features such as electronic remote location filing, e-bonds and automated duty drawback claims **would need to wait** until a new system-of-record was established.

Enter ACE— The Automated Commercial Environment. ACE is part of an overall long-term improvement effort to create a centralized system-of-record through which the U.S. government will track, control and process information related to the import and export of goods. The initiative will also help connect multiple U.S. government agencies through the International Trade Data System (ITDS) as called for by the SAFE Port Act of 2006.

On February 19, 2014, President Obama signed an Executive Order that effectively established a deadline of December 31, 2016 for full implementation of the ITDS. The system goes hand-in-hand with ACE and CBP's 'One U.S. Government' initiative to develop a nationwide approach to risk-assessment. The agency has also established dates to meet its goal of a single-window for trade processing. Following the precedent set by other regulations, it is anticipated that the period of **informed compliance** will precede full ACE enforcement and penalty assessments.

Where We've Been & Where We're Going

Key Focus Dates

1930
Trade Act of 1930 tasked Customs with collecting additional tarriffs

1993
The Modernization Act called for additional electronic trade processes

2006
SAFE Port Act officially established the ITDS initiative under the Department of the Treasury

Informed compliance

Continued Enforcement

Penalty phase

1984
ACS introduced with COBOL-based, IBM-mainframe architecture.

2002
Trade ACT of 2002 called for advance filing of electronic cargo information

May 1, 2015
Mandatory use of ACE for electronic import and export manifest

Nov 1, 2015
Mandatory use of ACE for electronic Cargo Release and related Entry Summary filings

Dec 1, 2016
Mandatory use of ACE for all remaining portions of the CBP cargo process

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What's Different

CBP has implemented a number of basic organizational and governance changes to ensure the success of current and future ACE development projects. With the support of the Department of Homeland Security (DHS), these changes have been captured in an ACE Improvement Plan that was submitted to the Office of Management and Budget.

Key to this plan is the shift toward the **Agile Development** paradigm. This methodology calls for teams to work concurrently with build-drops scheduled at regular intervals. The agency has stated that this **new approach varies significantly** from the development methodology historically used to launch ACE components.

CBP has stated that its new procedures:

- Have moved away from delivering large suites of capabilities and trended toward a more segmented approach

- Call for more collaboration with stakeholders during the development and deployment phases and as capabilities are piloted

- Include a number of development teams working toward independent deliverables that build upon one another

- Increase trade outreach programs to add to overall industry regulatory knowledge and visibility

- Involve volunteer field personnel from the trade serving as ACE Trade Ambassadors and Technical Advisory Group

- Refine deadlines and offer a plan to deliver core trade processing within specified dates

Smaller and more manageable components help add to more frequent delivery of smaller segments of functionality. This method offers greater flexibility to trade-off priorities for future releases and includes more rapid delivery to stakeholders.

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Unlocking the Benefits

Electronic Census Warning Resolution

Census overrides can now be transmitted electronically, eliminating manual paperwork

Background: CBP is mandated to collect statistical data on imports for use by the U.S. Census Bureau (Census) to accurately maintain parameters for each Harmonized Tariff Schedule (HTS) item number. Customs looks to filers to help collect the baseline information for these statistics. Although one of the aims of census warnings was to improve data accuracy, much of the data was, in fact, already accurate and did not necessitate an error message. The frequency of census warnings also led to operational inefficiencies, added costs and increased cycle time.

How this helps you: This automated functionality has been a long-requested enhancement by the trade and industry associations. Electronic census warnings are a key benefit that will help filers reduce paperwork and increase efficiency. CBP has incorporated U.S. Census Bureau data validations into the ACE entry summary Automated Broker Interface (ABI) process.

" We have been using Descartes to file ACE entries since 2009 and recognized the high quality of their solutions and the service. *- Jeanie Metzen, President, F.H. Kaysing*

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Remote Location Filing (RLF)

For Type 03 AD/CVD Entry Summaries

Background: RLF for Type 03 Antidumping (AD)/Countervailing (CVD) consumption entry summaries has been requested by the trade for a number of years. In the legacy Automated Commercial System (ACS), RLF for Type 03 AD/CVD entry summaries is not possible. These entries require paper reimbursement certificates. In addition, ACS only validates AD/CVD for *ad valorem* duties.

How this helps you: ACE Type 03 entry summaries are paperless. Qualified filers with **continuous bonds** will be able to remotely file at the first US port of arrival. Additionally, ACE Type 03 entry summaries allow users to create electronic non-reimbursement statements on AD/CVD entry summary lines and allow for more accurate AD/CVD calculation. ACE also validates both *ad valorem* and specific rate duties.

" ACE is the new *modus operandi.* We see significant potential advantages with ACE for both our business and for our customers.

For example, with AD/CVD entries, we are able to maintain *end-to-end control* of the entry throughout the entire process which is a big plus for our client base.

- Gabriel Rodriguez, President, A Customs Brokerage

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Periodic Monthly Statements

Payments are collected once a month instead of on a transaction-by-transaction basis

Background: Periodic Monthly Statements (PMS) are a feature of the Automated Commercial Environment that simplify the payment and collection of duties and fees and promote account based processing. Monthly payments may be of particular importance to companies with **larger operations** where a daily payment process is cumbersome.

How this helps you: With ACE Periodic Monthly Statements, duty payments can be consolidated. This eliminates the need to process payments on a transaction-by-transaction basis. As a result, filers are able to hold on to funds for a longer period of time.

Also, there are **no interest charges** for payments made.

With duty payments due on the **15th working day** of the following month, successful filers know that they have up to **45 days** to remit payments due.

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Post-Summary Corrections (PSCs)

A Post Summary Correction is simply an electronic replacement of ACE entry summary data

Background: The existing ACS-based Post Entry Amendment (PEA) procedure is manual and paper-based. In the current process, a CBP Import Specialist needs to review each amendment. However, if the designated representative was out-of-the-office or simply overlooked the paperwork, the entry status would automatically default to *'denied'*.

How this helps you: Beyond the clear benefits of moving from a paper-based to a paperless process, PSCs are a strategic benefit in terms of cost flow, and serve as a prime example of a 'win-win' for both CBP and the trade. Additionally, with ACE the default status is marked as *'approved'*.

PSC transactions must be filed within **270 days** from the entry date and prior to **20 days** of the scheduled liquidation date.

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Document Imaging System (DIS)

Allows for the electronic filing of certain documents with CBP and other Partner Government Agencies (PGAs)

Background: CBP requires filers to save documents for five years and produce them upon request. The agency also previously required the entire contents of an entry packet rather than just the document needed. Also, **multiple forms** would need to be sent to a number of different PGAs. CBP added document imaging to the ACE Cargo Release pilot in Phase 1 of DIS in April 2012 , and further expanded this capability in Phase 2 in July 2013 and Phase 3 in July 2014 to include more documents and additional PGAs. This functionality allows trade participants to electronically provide the documentation supporting their ACE Cargo Release entries to CBP via EDI or email.

How this helps you: Documents can also now be sent to CBP electronically through their Document Imaging System (DIS) instead of being hand carried to PGA's and CBP. US Customs has also streamlined requests and only will ask for the **specific document** requested rather than the entire entry packet.

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ACE Cargo Release Pilot

Background: The ACE Cargo Release Pilot (previously called the Simplified Entry Pilot) was created in direct response to the trade's call for more predictability in the importation process, streamlined data submissions and expedited release of cargo. Working with representatives of industry associations, CBP compared which data elements were needed for releasing cargo with what the trade had available in the advanced, pre-departure environment. The result of this work was the ACE Cargo Release data set consisting of **12 required data elements** and **3 optional elements**, as compared to the 27 data elements required on CBP's 3461 entry form.

The ACE Cargo Release program now includes air, ocean & rail as well as basic truck shipments. The program is now open to all eligible participants **regardless of C-TPAT status**. CBP estimates that the ACE Cargo Release Pilot will run until approximately November 1, 2015.

How this helps you: ACE Cargo Release allows filers to electronically request faster release of parts of a shipment as they arrive. This helps eliminate the need for traditional fax or email requests and waiting for hours or days for the release to be approved. It also allows for corrections, cancellations and pre-filing up to the point of departure.

Those participating in the ACE cargo release pilot will **no longer need** to use a paper CBP Form 3461 in many scenarios.

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Successful Adoption

Non-Linear Approach

Evaluation

Deadline

Yes

No

Implemen-tation

Testing

Training

Effective ACE Rollout Strategy

Identify Participants

Planning

Evaluation

Begin

Linear Approach

Deadline

Evaluation	Identify Participants	Implementation

The pathway to successful ACE adoption is non-linear. Successful adopters are taking a strategic approach to ACE adoption, with critical evaluations at key milestones. They are exploring and developing organizational/procedural alignments and refinements **ahead of the deadline** to adopt the best internal procedures.

In a linear approach, there is risk that analysis is done too late and processes lack continuous evaluation. Filers who adopt a last-minute approach begin their evaluation close to or even after a required deadline. This approach may lack essential steps such as planning, training and testing which could lead to strategic pitfalls.

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Pathways for Success

Questionnaire

Although many of the components of ACE now call for automated and electronic processes, it is unlikely that filers would choose to develop internal technology systems to manage the large volume of information involved in international trade or to become CBP-certified ABI providers.

Many internal IT departments are often devoted to the expansion of other parts of the business and might be unable to allocate resources to this role. It makes more financial and practical sense to procure these components from a single source. The system should not only be ACE compliant, but should offer a broad range of other services to maximize value.

The right solution should help you transition to ACE, with no need to increase staff or workload. It should not be disruptive to your business but builds upon existing processes and best practices. A good solution leverages the benefits of ACE to help filers save money while improving service and competitiveness.

The self-assessment questionnaire **to the right** will help guide you toward the best technology fit to help businesses succeed in regard to ACE regulatory changes.

Technology Self-Assessment Worksheet

Does the system:

Demonstrate an ongoing investment to ACE and a commitment to enhance products?

Have a proven ability to integrate with customer and partner systems?

Include localized training to help users transition to ACE?

Employ expert technical support staff who are knowledgeable in regulatory requirements?

Offer connectivity to a critical mass of ocean carriers and airlines?

Include a pathway for ACE compliance building upon existing platforms, using familiar interfaces to speed training and update knowledge?

Continue to expand its service offerings with options to access global trade data to help improve customs compliance and maximize duty savings?

Offer options for multimodal import and export coordination and document retention to meet regulatory requirements?

Ensure that ACE-enabled features are rolled out with minimal disruption to operations or existing processes?

Build upon existing processes and best practices, without requiring users to switch to new systems to comply with ACE requirements?

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Next Steps

The logistics industry is accustomed to regulatory changes, however ACE is unique due to the scope of the initiative. Although some may hesitate to make the transition to ACE, they risk a high last-minute cost outlay, business disruption, failure to effectively service customers and inability to bill for services rendered.

Market leaders have noted that progress in ACE is moving rapidly. They know the impact that ACE may have on their businesses and are taking steps now to effectively transition to this new system of record.

The scope of the regulation is quite large and goes beyond what is discussed here. It impacts numerous supply chain participants and business processes and is sure to affect the industry for years to come.

Successful brokers know this and are using a single vendor or systems integrator that can bring all the critical components of ACE compliance together on a unified platform. The technology used should include a seamless pathway to transition to ACE and not require users to switch to another technology platform.

With ACE filing deadlines on the horizon, early adopters have already started participation in ACE pilot programs. They are already beginning to realize the potential benefits and process improvements that are crucial to modernizing our industry.

Market leaders are already assembling a checklist to better define how the changes will impact their organization.

ACE Strategy Assessment Worksheet

Pathways for Success:

Develop a plan for document management and storage of forms such as CBP 7501 and CBP 3461 which still will be required

Identify a person or team to spearhead the transition to ACE and clearly define duties

Select which of the potential benefits would be of the greatest benefit to your organization

Document and post workflow changes in a step-by-step diagram and clearly highlight any new or revised procedures

Contact your CBP Representative to notify them of your intention to begin participation in ACE pilot programs

Apply for an ACE Portal account on-line

Notify staff that change is coming and set up a forum to discuss potential questions and address operational scenarios

Contact your software provider or systems integrator to ensure that they are prepared for the switch to ACE

Select a date or timeline that clearly defines when your company will begin participation in ACE

Pick a trade lane and begin to test business cases that may arise from the new procedures

Note the development plan of enabled DIS documents and begin working with your software provider to test these forms as they become available

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About Descartes

Descartes (TSX:DSG) (Nasdaq:DSGX) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Descartes has over 173,000 connected parties using its cloud based services.

Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community.

Our extensive customs and logistics domain expertise is embodied in a comprehensive technology platform designed to help brokers and forwarders more efficiently run complex international operations. On-demand solutions enable large and small organizations to take advantage of robust capabilities for bookings, security filings and customs entries, shipment and financial management.

Descartes' market-proven solutions automate the collection of shared data and multi-party shipment processes. Our advanced solutions can help brokers and forwarders extend the command of operations with their logistics partners to help meet their delivery performance objectives.

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