

**COMMENTS BY THE ASSOCIATION OF GLOBAL AUTOMAKERS  
AND THE ALLIANCE OF AUTOMOBILE MANUFACTURERS  
REGARDING PROPOSED INFORMATION COLLECTION REQUIREMENTS  
FOR THE AUTOMATED EXPORT SYSTEM PROGRAM**

**March 25, 2011**

This submission is filed by the Association of Global Automakers (Global Automakers)<sup>1</sup> and the Alliance of Automobile Manufacturers (the Alliance)<sup>2</sup> in response to the Census Bureau's request for comments on its proposed new information collection requirements under the Automated Export System (AES). Census published its request for comments in the *Federal Register* of January 24, 2011 (76 Fed. Reg. 4089).

Together, Global Automakers and the Alliance represent every major automobile manufacturer producing or selling vehicles in the United States. Our members account for a significant share of U.S. exports: the automotive industry is the fourth largest goods exporter in the United States. As such, we believe we are well positioned to comment on the proposed changes to AES filing requirements, particularly with respect to two of the issues highlighted in the January 24 *Federal Register* notice: the potential burden on industry to provide this information, and the practical utility of the new information.

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<sup>1</sup> Association of Global Automakers, formerly known as the Association of International Automobile Manufacturers (AIAM), represents international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. Members include American Honda Motor Co., American Suzuki Motor Corp., Aston Martin Lagonda of North America, Inc., Ferrari North America, Inc., Hyundai Motor America, Isuzu Motors America, Inc., Kia Motors America, Inc., Mahindra & Mahindra Ltd., Maserati North America, Inc., McLaren Automotive Ltd., Mitsubishi Motors North America, Inc., Nissan North America, Inc. Peugeot Motors of America, Subaru of America, Inc. and Toyota Motor North America, Inc.

<sup>2</sup> The Alliance of Automobile Manufacturers is a trade association of car and light truck manufacturers, whose members include BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda North America, Mercedes-Benz USA, Mitsubishi Motors, Porsche Cars North America, Toyota Motor North America, Inc., Volkswagen Group of America, and Volvo Cars North America, LLC.



The January 24 notice discusses the proposed addition of several new data elements to AES filings. These include the name and address of the end user and ultimate consignee, the type of ultimate consignee, the country of origin, and the container number for all containerized cargo. In addition, Census would require AES reporting for any exports of used, self-propelled vehicles regardless of value or country of destination. A separate Notice of Proposed Rulemaking (NPRM) published by Census in the January 21, 2011, issue of the *Federal Register* (76 Fed. Reg. 4002) provides details on these proposed new reporting requirements. It also proposes elimination of post-departure ("Option 4") AES filing for most exports, including automotive products. This would dramatically alter the AES filing timeframe for several of our members that currently file post-departure.

In its January 24 *Federal Register* notice, Census states that the "conditional data elements will have limited impact on burden response time since entering information for the end user and consignee type is based on the knowledge the exporter has at the time of export." (page 4090) Further, Census states that "[i]n spite of the new filing requirements, the overall time per response will remain at 3 minutes per AES filing. The additional time required to complete the AES record is offset by technological advances made to the AES along with filers' heightened knowledge of the filing requirements and system functionality since the implementation of mandatory electronic filing in 2008." (page 4090)

We believe that Census has significantly underestimated both the amount of time per response for AES filing and the burden these new requirements will place on exporters. Gathering the proposed information, providing it at the level of detail required, and communicating it to all of the appropriate parties involved in the transaction will take significantly longer than three minutes. In order to comply with each change, our members will need to modify their programming and processes. Our members must make these changes regardless of the fact that many of the new data elements are conditional and depend upon the exporters' knowledge at the time of AES filing, because they must be in position to capture and report the new information if known. This will require a substantial investment of resources and manpower. This impact is magnified considerably by the proposed elimination of AES Option 4 post-departure filing, which will require widespread changes to our members' automation systems, business contracts and practices, delivery modes and deadlines, inventory and quality control practices, and even shipping practices.

We question the utility of placing significant new economic and operational burdens on exporters at a time when, under the National Export Initiative (NEI), the U.S. government is pursuing the goal of doubling U.S. exports by 2015. These new AES reporting requirements and procedures would have the effect of discouraging exports, decreasing the likelihood of meeting the NEI's goal.

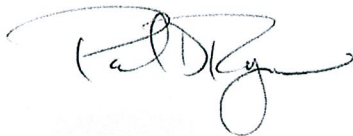


We understand that the objective of many of these changes is to enhance security and export enforcement capabilities. Global Automakers and Alliance members strongly support and actively participate in U.S. government efforts to increase security. However, we question whether some of the new data elements and AES filing procedures would enhance security, particularly in light of the fact that these requirements are being applied across the board, without any regard to whether exporters have established secure supply chains and have demonstrated a strong compliance record. This seemingly runs counter to the thrust of U.S. government initiatives over the past decade, exemplified by the development of programs such as C-TPAT, which seek to enhance supply chain security, reward highly compliant traders, and focus enforcement efforts on high risk trade. In keeping with these objectives, Global Automakers and the Alliance suggest that highly compliant, low risk shippers be allowed to continue post-departure AES filing. To minimize unnecessary burdens on exporters and maximize the efficiency of U.S. government resources dedicated to enforcement, we further suggest that Census eliminate its proposed new data requirements relating to ultimate consignees, country of origin, and container number.

On March 22, 2011, Global Automakers and the Alliance filed comments in response to the January 21 Census NPRM, detailing the significant costs and operational burdens these AES reporting changes would impose on our members. Because these comments are relevant to the issues raised by Census in its January 24 *Federal Register* notice and build upon the information we have provided herein, we are attaching them to this submission. We ask that Census review them as part of its ongoing evaluation of its information collection requirements, as they provide a more detailed description of the burdens these proposed changes would create for our members.

In conclusion, we appreciate the opportunity to raise these concerns with Census, and would welcome the opportunity to discuss them in greater detail. For additional information, please contact Paul Ryan at Global Automakers (202- 650-5554 or [pryan@globalautomakers.org](mailto:pryan@globalautomakers.org)) or Matthew Forman at the Alliance (202.326.5586 or [mforman@autoalliance.org](mailto:mforman@autoalliance.org)).

Respectfully submitted,



Paul D. Ryan  
Director, Government Affairs  
Association of Global Automakers



Matthew Forman  
Senior Attorney  
Alliance of Automobile Manufacturers



**COMMENTS BY THE ASSOCIATION OF GLOBAL AUTOMAKERS  
AND THE ALLIANCE OF AUTOMOBILE MANUFACTURERS  
REGARDING PROPOSED CHANGES TO MANDATORY  
AUTOMATED EXPORT SYSTEM FILING**

**Docket Number 100318153-0154-01  
RIN Number 0607-AA50**

**March 22, 2011**

These comments are filed by the Association of Global Automakers (Global Automakers)<sup>1</sup> and the Alliance of Automobile Manufacturers (the Alliance)<sup>2</sup> in response to the Census Bureau's Notice of Proposed Rulemaking (NPRM) published in the *Federal Register* of January 21, 2011, regarding new export reporting requirements (76 Fed. Reg. 4002; Docket Number 100318153-0154-01; RIN Number 0607-AA50). Together, Global Automakers and the Alliance represent every major automobile manufacturer producing or selling vehicles in the United States.

The NPRM proposes many changes to existing requirements for filing through the Automated Export System (AES). While it does not extensively discuss the reasons for the proposed changes, the NPRM does indicate in several sections that many proposals are intended to enhance national security and export enforcement capabilities.

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As detailed below, Global Automakers and Alliance members are concerned about those provisions of the NPRM that would eliminate post-departure filing for automotive exports, require AES filing for all used self-propelled vehicles to Canada, and create new data fields for elements including country of origin, ultimate consignee type, and container numbers. While we recognize and strongly support the U.S. government's interest in enhancing security, we are concerned that these provisions would impose significant costs and operational burdens on our members, without regard to their established records as low risk, highly compliant traders. Furthermore, the proposed changes add cost and complexity to the export process at a time when, under the National Export Initiative, the Obama Administration has established the goal of doubling U.S. exports by 2015. This NPRM, if finalized as proposed, would discourage exports at a time when the U.S. government is aiming to do precisely the opposite. We urge the Census Bureau to reconsider these proposals, and to either maintain current requirements or modify them in a manner that is far less economically and operationally consequential.

Our specific concerns relate to the following proposals:

*1. Elimination of post-departure filing for automotive exports:* The NPRM proposes to limit post-departure ("Option 4") filing to "only approved commodities exported by approved USPPIs." According to the NPRM, "Certification and approval requirements were strengthened to address U.S. national security concerns and interest....Any commodities not included on the approved list must be reported prior to exportation and all current USPPI's previously approved for post-departure filing must reapply." (page 4003) Furthermore, the post-departure filing timeframe would be reduced from 10 to five calendar days.

Several of our members currently utilize Option 4. However, the list of approved commodities referenced in the NPRM does not include automotive parts, vehicles, or accessories. Therefore, our members currently utilizing Option 4 would have to dramatically change their current business and supply chain practices – which are calibrated to a ten-day, post-departure filing model - in order to comply with pre-departure AES filing. In the case of automotive parts and accessories, some members have advised that such a change would back up supply chains for all modes. Most members would have to undertake major restructuring of their automation systems and supply chain practices, with considerable transitional and permanent cost implications, in order to reorient practices to meet carriers' cutoffs for pre-departure AES notification.



In the case of vehicle exports, modifying existing practices would be even more difficult and costly, because they are geared not only to minimize inventory carrying costs and maximize efficiencies, but also to ensure quality. Currently, a final quality check is performed onsite immediately before vehicles are loaded for shipment. If any problems are discovered, the car is rejected and its vehicle identification number (VIN) is deleted from the shipping schedule. The final invoice is not prepared until after this quality check is completed – in other words, it is not prepared until the vehicles are loading, as that is the only way to ensure accuracy. Shifting to a pre-departure AES filing mode would require significant changes to all these practices, with negative repercussions on cost and quality control.

In short, if post-departure filing for automotive products is eliminated, our members will have to reexamine and modify automation systems, business contracts and practices, delivery modes and deadlines, inventory practices, and even shipping carriers and lanes. All of this would necessitate significant financial and manpower investments by our members. Additionally, as these changes are worked through, delays in shipment are likely to occur, resulting in missed deadlines, increased inventory carrying costs, and disruptions in our overall supply chains. There will also likely be increased manpower requirements from service providers (who will pass the additional cost along) to assemble and complete shipment data for pre-filing. Once adjusted to the system of filing pre-departure, we would still incur the risk of decreased quality control and increased port congestion (with associated inventory carrying costs), as cargo that previously would have shipped under the post-departure model “sits” as it waits for the next available conveyance.

If the NPRM were finalized with the proposed changes to Option 4, our members will be forced to undertake all these changes, and incur significant costs, notwithstanding their outstanding track records as low risk, highly compliant companies. Global Automakers and Alliance members have dedicated countless hours and millions of dollars to strengthening their supply chain security practices. They have worked cooperatively with U.S. Customs and Border Protection (CBP) for many years to develop and implement programs that provide CBP with accurate, advance information about their supply chains and their security procedures, through initiatives such as C-TPAT and the Importer Security Filing.

The automotive industry is the fourth largest goods exporter in the United States. Given our volumes, the low risk nature of automotive trade, and our members' strong compliance record, Global Automakers and the Alliance urge the Census Bureau to



consider the following modifications to the NPRM with respect to post-departure AES filing:

- a) Retain post-departure AES filing for automotive-related exports by approved USPPs. In order to accommodate the national interest in enhancing security, we recommend that Census consult with CBP, and review all existing USPPs for security risks. Low-risk, highly compliant companies including those that are either C-TPAT or ISA participants, companies with a highly compliant track record (for example, a record of several Customs audits with minimal or no adverse findings), and other exporters that are deemed to be low risk should be allowed to continue to use AES Option 4.

Furthermore, we urge Census to also dispense with the list of approved commodities entirely – and focus its process on validating low risk, highly compliant applicants regardless of commodity – or, at a minimum, to modify the list to make automotive products eligible for post-departure filing.

Adopting these modifications would allow U.S. government agencies to focus on higher risk shipments and lower the burden on the compliant exporter, benefiting both government and industry.

- b) We further recommend that the filing deadline for post-departure remain at the current 10 calendar days.

2. *Vehicle Exports to Canada:* The NPRM would require AES filing for all used self-propelled vehicles, regardless of value and country of destination (page 4003 and elsewhere). This would override the existing Canadian exemption for such exports. It would cause a significant burden for our members that export used vehicles into Canada. We urge the Census Bureau to clarify the following issues before finalizing this provision:

- Does this apply to vehicles driven across the border for testing?
- If the vehicle is owned by an OEM /or its parent company (and imported into the United States on a prototype or TIB entry), would an AES filing requirement be waived when the vehicle is exported to Canada?
- If the vehicle is part of an OEM's company fleet (and imported into the United States on a duty paid entry), would an AES filing requirement be waived when the vehicle is exported to Canada?

3. *New Data Elements:* The NPRM would establish several new data elements, three of which (container number, country of origin, and ultimate consignee type) raise concerns for our members.



- a) *Container Number*: The NPRM would require reporting the container number for containerized vessel cargo (page 4012). This is a new mandatory data element, and would necessitate reprogramming of existing automation systems. Furthermore, under current shipping practices, the container number is often unavailable until the loading process begins, which could make compliance with pre-departure filing timelines difficult. We recommend that Census eliminate this requirement.
- b) *Country of origin*: The NPRM would require reporting country of origin when exported commodities are of foreign origin (page 4011 and elsewhere). Determining the specific country of origin for an exported commodity would create a significant new compliance burden for our members. They would either have to install costly new automated systems to calculate and classify all components that go into the exported product, or institute manual procedures to generate the necessary information. We recommend that Census eliminate this requirement.
- c) *Ultimate Consignee Type*: The NPRM would require reporting whether the ultimate consignee is a reseller, government reseller or government consumer, if the exporter knows this information at the time of filing (page 4012). Generally speaking, this information is currently not part of the data set passed from our members to their forwarder, so they would have to make programming changes to supply it. Because many of our members' operations are not based on a single system, multiple system modifications would have to be made (for each business division's exports), which would result in significant programming costs, imposing additional burdens for information we feel has limited value for security purposes. We urge Census to delete this requirement.

## Conclusion

Global Automakers and Alliance members share the U.S. government's goal of enhancing security. But this goal should be pursued consistent with other U.S. objectives, including improving U.S. economic competitiveness, expanding commercial trade flows, and encouraging U.S. exports. This balanced approach is strikingly absent from the NPRM, which would add cost and complexity to the export process without taking into account the considerable strides made by our members to secure their supply chains. This proposal seems particularly ill-timed, given that the United States is currently in the midst of a five-year push, through the National Export Initiative, to



double U.S. exports. Presumably, the government should be seeking all possible ways to streamline, rather than encumber, the export process as part of this initiative.

Consistent with a risk-based management approach to security, we believe the NPRM should be modified to allow low risk, highly compliant exporters and automotive products to continue their eligibility for post-departure AES filing. We further believe the post-departure filing deadlines should remain at the current 10 calendar days. We do not believe this would impair legitimate security concerns, as these could be addressed through a Census/CBP review of USPPs to re-vet and revalidate which companies are eligible for post-departure filing.

We also request the Census Bureau to clarify aspects of the proposed reporting requirement for used vehicle exports to Canada. Finally, we urge Census to eliminate the requirements to report container numbers for containerized vessel cargo, country of origin for exported commodities of foreign origin, and type of ultimate consignee.

We believe these modifications would revise the NPRM in a manner that balances national security and national economic interests, which would further the interests of the U.S. government, of Global Automakers and Alliance members, and of other U.S. exporters. We would welcome the opportunity to discuss these comments in greater detail. For additional information, please contact Paul Ryan at Global Automakers (202-650-5554 or [pryan@globalautomakers.org](mailto:pryan@globalautomakers.org)) or Matthew Forman at the Alliance (202.326.5586 or [mforman@autoalliance.org](mailto:mforman@autoalliance.org)).

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Paul D. Ryan  
Director, Government Affairs  
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Matthew Forman  
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