National Association of Manufacturers

Executive Order 12,866 Requirement to Consider Costs to Industry

An assessment, including the underlying analysis, of costs anticipated from the regulatory action (such as, but not limited to, the direct cost both to the government in administering the regulation and to businesses and others in complying with the regulation, and any adverse effects on the efficient functioning of the economy, private markets (including productivity, employment, and competitiveness), health, safety, and the natural environment), together with, to the extent feasible, a quantification of those costs. *See* E.O. 12866, Sec. 6(a)(3)(C)(ii).

Cost of the Delay Created for U.S. Manufacturers

- U.S. Manufacturers estimate that the proposed rule will create an estimated delay of two to five days before cargo can leave the foreign port of export. Brokers have stated that they will require receipt of the information three days prior to submitting the ISF. This could provide further delays in the supply chain.

- CBP estimates were based on the premise that only consolidated containers would be delayed. Their premise is incorrect. Consolidated and unconsolidated containers alike will face delays.

- Each day of delay is equal to $8.5 billion annually[1] for U.S. manufacturers.

- CBP incorrectly states that the delay will decrease over time. CBP states that for the first year importers will face 24 hours of delay and 12 hours the second. Industry doesn't understand how a 24 hour rule becomes a 12 hours rule.

- CBP incorrectly states that the 24-Hour Manifest Rule for carriers did not create delays in the supply chain. As a business practice, carriers require importers to submit the manifest information 72 hours prior to lading not 24 hours. This business practice remains in effect years after implementation of the 24-hour rule.

- Importers are not able to begin processing the Importer Security Filing until the container door is sealed. Only at that point does the importer know what products were placed in which container.

[1] A Purdue University and USAID study independently estimated that each day of shipping time saved is worth 0.8 percent ad-valorem tariff for manufactured goods. Based on the value of total manufactured imports carried by sea vessels in 2007 ($1.04 trillion) a one-day delay would collectively increase the costs for U.S. manufacturers by $8.5 billion annually. Manufacturers estimate at least a two-day delay or $17 billion annually.

Costs per Company to Implement 10+2

- There are many other costs associated with the proposed rule in addition to the $8.5 billion per day cost for a delay in shipping. The costs below represent what each company will have to invest in order to comply with the proposed rule.

  - Importers must develop new IT systems to manage, collect and submit the ISF to CBP. This is a costly endeavor that requires both time and trained technicians. One NAM company estimates that it will cost $142 million to develop the new IT systems to meet the requirements of the NPRM. Others estimates are between $5 to $100 million per company.

  - Containers must be stored for 2-5 days before being loaded on the vessel. Currently, vessels are loaded immediately before setting sail. Infrastructure does not exist to store hundreds of thousands of containers. This cost was not included in the CBP study. The NAM estimates that it will cost industry $500,000 a day to store containers at the port.

  - Importers will have to hire new personnel to store and provide security for the cargo in storage. This cost was not included in the CBP study.

  - Importers currently operate under the "Just in Time" model—manufactured goods are ordered, produced, loaded in a container and sent to the port just in time for export. In order to operate under the proposed rule, importers will have to create 2-5 days of additional inventory, storage and warehouses for this inventory. These costs were not included in the CBP study. NAM members estimate that this will cost between $3.7 and $4.2 million per company annually.

  - Importers will have to switch to air transport in order to keep factories from going offline. Expedited shipment via air is costly. NAM estimates that expedited shipment will cost an additional $3.7 million per company annually.

  - Global companies import from countries in various time zones. Since it will be critical that ISF information gathered in foreign location be coordinated with the USA importer to meet sailing deadlines in the foreign location global companies will be required to hire personnel to work on the ISF 24 hours a day/7 days a week. These costs were not included in the CBP study. The NAM estimates this will cost between $1.9 and $3.9 million per company annually.

- These additional costs, on top of the $8.5 billion per day delay, will greatly undermine the competitive advantage of U.S. manufacturers and will have a negative affect on the U.S. economy. The CBP study grossly underestimated the costs and does not account for any of the factors identified by the NAM and our member companies.