



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE

PORT OF CHICAGO PIPELINE

NO. 98-03

January 24, 1998

TO : Carriers, Bonded Facilities, Customhouse Brokers, Importers and Others Concerned

SUBJECT: Enhancements to International Travel Merchandise (ITM) and Vessel Supply Operations

This pipeline is in reference to recent Customs Headquarters discussions with the trade community pertaining to five key areas dealing with control of international travel merchandise (ITM) and vessel supplies.

Recent Customs audits of Customs Approved Storage Rooms (CASR's), commonly used to retain ITM and vessel supplies, indicate that accountability and control of merchandise is inadequate. The following changes will increase Customs control of such merchandise, and will be in effect until such time as a new facility is established by regulation to retain ITM and vessel supplies. U.S. Customs intends to establish a new class of warehouse (class 10) for this type of merchandise.

1. REMOVAL OF MERCHANDISE FROM CARTS - APPLIES TO BOTH ITM AND VESSEL SUPPLIES

Merchandise removed from carts may be stored in a CASR so long as a new Customs entry (e.g., Consumption, Quota Entry), or a CF 7512, is filed with Customs within five business days of aircraft entry. Merchandise to be transferred from the carts to a Customs Approved Store Room (CASR) may be removed from carts pending entry provided it is segregated from existing merchandise, properly documented and accounted for. Merchandise so removed from the various carts of one airline for return to the same CASR or other singular authorized facility (e.g., bonded warehouse, FTZ) may be consolidated under one entry. Applicable entry restrictions on alcohol, tobacco, and textiles apply (e.g., ATF, FDA, quota requirements).

2. SUMMARIZE MANIFEST DISCREPANCY REPORTING - APPLIES ONLY TO ITM

A review of manifesting of ITM merchandise reveals that discrepancies have occurred. ITM merchandise on board aircraft entering the Customs territory is not of a type or character

that is excepted from manifesting by statute or regulation. Along with the lack of reporting manifest discrepancies, Customs is concerned with a repetitive pattern of numerous "clerical errors." A pattern or practice of manifest discrepancies can reveal negligence or illegal activity, diverting revenue from the trade and from Customs collection. Inaccurate reporting impedes Customs ability to account for merchandise and protect revenue. Timely and accurate reporting, on the other hand, can assist Customs with its collection and enforcement responsibilities. In consideration of the trade's attempt to improve required reporting of discrepancies, we are providing relief to ITM discrepancy reporting in the following areas:

Manifest discrepancy reports for ITM shall be submitted to Customs for any:

- a). Evidence of seal tampering;
- b). Differences between the seal numbers on the kit and those recorded on the manifest located in the kit and attached to the Aircraft General Declaration;
- c). Difference in quantity (overages and extraordinary shortages) as shown on the manifest.

A discrepancy report shall contain the airline; flight number; arrival date; unique ITM manifest number; item description; amount of overage; shortage; discrepant quantity; unit value; and total value.

In the event of extraordinary shortages or overages, (defined as a discrepancy of six individual units or more between the manifested quantity and the physical quantity), a consolidated discrepancy report shall be submitted to Customs within 30 calendar days of aircraft entry pursuant to 19 CFR 122.49.

2(a). When security seals are intact upon arrival in the United States and no evidence of tampering exists: In the instance of nonextraordinary shortages or overages, (defined as a discrepancy of five units or less between the manifested quantity and the (physical quantity), no submission of reports to the Port Director will be required. However, the CASR operator will maintain all discrepancies noted on an ITM manifest, which shall be immediately available for Customs audit or spot-check.

2(b). When security seals on ITM carts are not intact upon arrival in the United States: Any and all manifest discrepancies shall be reported within 30 calendar days from aircraft entry.

2(c). When indication of theft or seal tampering exists, or there is a difference between the seal numbers on the kit and those recorded on the ITM manifest located in the kit and attached to the Aircraft General Declaration: Any amount of discrepancy (overage or shortage) shall be reported immediately to the Port Director and confirmed in writing within 5 days after aircraft entry. Upon notice by Customs, a consumption entry may be required for shortages.

Failure to submit a manifest discrepancy report to Customs subjects a party to monetary penalties under 19 USC 1584. If Customs receives an adequate manifest discrepancy report (MDR) within the time period provided for by regulation (60 days for vessels per 19 CFR 4.12; 30 days for aircraft per 19 CFR 122.49(a)(2)), then no penalty action is warranted under 19 USC 1584 for failure to submit a corrected manifest. Discrepancy reports will be accompanied by evidence, if any, to substantiate a claim that the discrepancy occurred outside the Customs

Consolidation of manifest discrepancy reports for ITM will provide relief to both Customs and the trade. Customs determines whether discrepancies occur within the Customs territory, and whether a loss of revenue exists. The trade's responsibility to report discrepancies (both clerical and non-clerical) to Customs remains a vital element to establish compliance of a manifest and to protect revenue.

Immediate reporting of discrepancies for vessel supplies to the port director is required by regulation 19 CFR 122.135(e).

3. ALLOW TRANSFER OF MERCHANDISE AMONG CASR'S - APPLIES TO ITM AND VESSEL SUPPLIES

ITM and vessel supplies may be transferred to another CASR by initiating a Customs Form 7512, Transportation & Exportation, entry type 62, in accordance with 19 CFR 18.26. To effect transfers from one CASR to another CASR, a new CF 7512 shall be prepared. The quantity reported on the CF 7512 must accurately provide the total number of cases and individual units on the CF 7512. The carrier will account and remain liable for transportation and exportation of the merchandise under its bond by noting the following on the new CF 7512, T&E:

- a). The original CF 7512 foreign arrival information (date, piece count, description, flight info);
- b). Original entry number on the new CF 7512 along with airline bond number, original date of entry, date of importation.

A new CF 7512 will be required to effect transfers. Utilizing the original CF 7512 would be inappropriate and illegible, since the designation and destination will change for a transportation in bond to another CASR. The bonded carrier is liable for the exportation of the bonded merchandise pursuant to 19 CFR 18.26(d) and must cause the merchandise to be exported by providing evidence of exportation as required by the Port Director under 19 CFR 113.55 within 30 days of exportation, unless ITM is admitted into a CASR pursuant to Customs Directive 099 3280-008 which allows for an extended storage period beyond 30 days.

TRANSFER TO AN FTZ OR BONDED WAREHOUSE FROM A CASR: Instead of transferring merchandise to another CASR, merchandise may be transferred from a CASR and admitted to an FTZ on a CF 214, or entered into a bonded warehouse by filing an appropriate warehouse entry. The document required to initiate movement from a CASR to an FTZ or bonded warehouse shall be on a CF 7512, Immediate Transportation, type 61.

4. SIMPLIFY CF 7512'S DESIGNATIONS - APPLIES TO VESSEL SUPPLIES AND ITM

CF 7512 designations will be simplified for ITM and vessel supplies. Since ITM goods do not qualify as vessel supplies or equipment within the meaning of 19 USC 1309, they are not entitled to duty free privileges under that section. To distinguish this difference on the designation of a CF 7512, CF 7512's for movement of vessel supplies shall begin with a "VS." For example, if vessel supplies are removed from a CASR for immediate exportation, the designation shall state, "VSIE." For Vessel supplies removed for transportation in-bond to another port for exportation, the CF 7512 shall state, "VSTE." For ITM merchandise, no "VS" designation shall apply. For example, for ITM arriving in a CASR directly from foreign and stored in a CASR for immediate exportation, the CF 7512 shall be designated "IE." If ITM is withdrawn from a Customs bonded warehouse for transportation in bond to a CASR in another port for exportation, the CF 7512 shall indicate, "WDTE."

5. MERCHANDISE STORAGE PERIOD - APPLIES TO BOTH VESSEL SUPPLIES AND ITM

Since CASR's are not bonded warehouses, the correct retention period is that stated in 19 CFR 18.24(a). This regulation imposes a 90 day limit, which may be extended in increments of 90 days, not to exceed one year from the date of importation. Chicago Port Policy will automatically extend the retention period to one year from the date of importation.

As an alternative storage method, vessel supplies (not ITM) stored in a bonded warehouse may be eligible for blanket withdrawals under 19 CFR 19.6(d)(1)(ii). This procedure would allow for the elimination of multiple CF 7512's, since blanket withdrawal procedures apply. Storage in a bonded warehouse allows a 5 year retention period. Retention of merchandise in a bonded warehouse would provide relief to the trade's concern for vessel supply retention time periods.

Any questions/clarifications should be directed to the Bonded Warehouse Desk at 847-616-4060, extensions 127 or 129.

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