



Channel WASN 85.6MHz—Logistics and Transportation

10+2—Pradheep Sampath, GXS Director of Supply Chain Visibility Products, explains the new US 10+2 regulation for Supply Chain Security and explains the impacts to the ERP and TMS systems of importers and carriers.

Steve Keifer: Welcome to Trading Grid Radio. My name is Steve Keifer and I am your host for the program. Today we are happy to welcome back one of our favorite guests, who is Pradheep Sampath. Pradheep is a Director of Product Management at GXS, with responsibility for the Supply Chain Visibility suite. Welcome back, Pradheep.

Pradheep Sampath: Thank you, Steve.

Steve Keifer: So we asked you to join the show today to talk about the subject of supply chain security, and there's always very different regulations out there: C-TPAT, twenty four hour rule, I'm having trouble keeping up with all of these, but I understand there's a new one now that's been enacted or I guess is in the process of being enacted, called 10+2?

Pradheep Sampath: That's right.

Steve Keifer: I thought maybe you could start by just explaining what 10+2 is.

Pradheep Sampath: Sure, Steve. The formal name for 10+2 is Importer Security Filing or ISF in short, and it's a part of the initiative that the US Customs and Board of Protection Agency has launched to secure global supply chains. The goal is obviously to prevent weapons and other contraband material from being brought into the country, and the move endgame is to get timely and accurate data about cargo from importers and carriers into one of the Custom's applications called the Automated Commercial System or ACS. Now, the regulation itself, it took effect on Jan. 26, earlier this year interestingly enough all Chinese theorists say, but the government has given the trade community a full year, and they're going to start enforcing penalties for non-compliance only from Jan. of 2010. And from what I've heard, the penalties could be as high as five thousand dollars per violation, but I read a couple of reports that indicated that the DHS, their goal is compliance and not penalties, of course.

Steve Keifer: Right, that makes sense. So in terms of technology, what type of impact is this going to have to companies that are importing goods into the US, and I guess also the transportation carriers or freight forwarders of third party logistics companies that are helping them.

Pradheep Sampath: Sure. Well, ten of these data elements that are required have to typically come from importers and two of those have to come from carriers, and hence this whole 10+2 moniker. In my opinion, Steve, the main role for technology is going to be one that ensures the timely availability of accurate and complete information corresponding to each of these twelve data elements. And also there's this big requirement that the filing be completed twenty-four hours before a cargo is loaded

onto a vessel. If we look at ERP and transportation management system applications, right, they frequently don't have access to all of these twelve data elements in a ready manner. So let's take the container stuffing location for example, that's one of the ten data elements which have to come from the importer. That's often not available to the importer in a timely manner, and that's going to be a challenge to ensure that the data is available. Also, I can't emphasize enough the importance of B2B data quality management because each instance of error, like I said earlier, could be worth five thousand dollars in penalties. So ERP and TMS applications and B2B platforms, they've got to make sure that they are capable of collecting, compiling, and also validating each of these twelve elements in a timely manner, but also provide for a seamless and cost effective manner in which this data can be transmitted onto the Customs Agency.

Steve Keifer:

So that sounds like quite a bit of work that some of these companies, I imagine particularly the smaller companies are going to have to implement in order to comply with this. So I think you said earlier the actual deadline is January of next year, 2010, so do you think a lot of importers are going to have trouble meeting this deadline and it's going to be one of these things that the government continues to extend indefinitely, or do you think those companies will be ready by that date?

Pradheep Sampath:

Well I've come across a couple of interesting data points, Steve that might be pertinent here. Since January of this year, since the time this went live in pilot mode, the Customs and Board of Protection Agency, they've received over six hundred thousand filings, and forty percent of these were pertaining to goods from China and twelve percent from Japan. Very interesting that eighty percent of these had been accepted without any errors, but only forty-five percent were filed on time. So I want to kind of noodle on this for one second because it could be important in terms of whether or not we see wide-spread option. Let's look at the error rate. I've been given to understand that it takes twenty to thirty minutes for the filers to get an acknowledgement back from the customs system, the ACS that I was talking about. So in the twenty to thirty minutes they tend to get impatient and they hit submit one more time, essentially sending a duplicate and that's an error.

Steve Keifer:

Oh, okay.

Pradheep Sampath:

And that's got to be ironed out. Also, I've heard that the forty-five percent on time submission is a very low rate, and the agency has gone back and looked at it and they determined that they had been measuring timeliness against the time in which the vessel was loaded, and they're going to modify that metric to measure against the actual vessel sailing date rather than the vessel loading date. The bottom line here is that, you know, even in the four or five months that we've been live with this pilot, we've seen the law be tweaked a couple of times. So I think in the next six to eight months we'll see a few more tweaks to the regulation, but I don't see the government putting this off forever or kind of extending it beyond Jan. 2010, but I do see a couple of changes which us technology providers and importers and carriers, we've all got to be mindful of these midcourse corrections in the next couple of months.

Steve Keifer:

I see, so it's not so much the companies won't be ready, it's more a matter of ironing out some of the challenges with the process on an operating standpoint.

Pradheep Sampath:

That's right, Steve.

Steve Keifer:

Great, well unfortunately we're out of time for this edition of the show, but I want to thank you for coming on, and we look forward to having you back on again in the near future to maybe discuss how 10+2 is progressing or some of the other things going on in the supply chain.

Pradheep Sampath:

Thanks for the opportunity Steve.

About GXS

GXS is a leading global provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration among trading partners. Organizations worldwide, including more than 70 percent of the Fortune 500, leverage the on-demand services on GXS Trading Grid® to extend supply chain networks, optimize product launches, automate warehouse receiving, manage electronic payments and gain supply chain visibility. GXS Managed Services, GXS' B2B outsourcing solution, empowers customers with the expertise, technical infrastructure and program support to conduct B2B e-commerce with trading partners globally.

Based in Gaithersburg, Md., GXS has an extensive global network and has local offices in the Americas, Europe and Asia-Pacific regions. GXS can be found on the Web at www.gxs.com.



About GXS

GXS is a leading global provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration among trading partners. Organizations worldwide, including more than 70 percent of the Fortune 500, leverage the on-demand services on GXS Trading Grid® to extend supply chain networks, optimize product launches, automate warehouse receiving, manage electronic payments and gain supply chain visibility. GXS Managed Services, GXS' B2B outsourcing solution, empowers customers with the expertise, technical infrastructure and program support to conduct B2B e-commerce with trading partners globally. Based in Gaithersburg, Md., GXS has an extensive global network and has local offices in the Americas, Europe and Asia-Pacific regions. GXS can be found on the Web at www.gxs.com.

NORTH AMERICA AND GLOBAL HEADQUARTERS

100 Edison Park Drive
Gaithersburg, MD 20878
U.S.A.

+1-800-560-4347 t
+1-301-340-4000 t
+1-301-340-5299 f
www.gxs.com

EUROPE, MIDDLE EAST AND AFRICA

18 Station Road
Sunbury-on-Thames
Middlesex TW16 6SU
United Kingdom

+44 (0)1932 776047 t
+44 (0)1932 776216 f
www.gxs.eu

ASIA PACIFIC

Room 1609-10
16/F China Resources Building
26 Harbour Road, Wanchai
Hong Kong

+852 2884-6088 t
+852 2513-0650 f
www.gxs.asia.com