



## Export filing to go electronic

Shippers have known for several years that mandatory filing of export documentation through Customs and Border Protection's Automated Export System has been on the horizon. And now, the new rules should take effect in the fall. When they do, all exporters will be required to file export declarations electronically through the AES or its online portal, AESDirect.

"With multiple progress reports issued by Customs and industry trade associations, shippers have been anticipating this change for some time and should be prepared to adjust their day-to-day business processes accordingly. Once the ruling is in effect, shippers will be required to implement the regulations within their systems within 90 days," said Jim Preuninger, chief executive of East Rutherford, N.J.-based Management Dynamics Inc.

Preuninger points to some of what he sees as AES, many advantages for shippers, including error reduction, as AES provides immediate feedback to the filer when data is omitted or incorrect and allows the user to correct errors at any point. This can save the filer money as well, since AES eliminates the cost of corrections with upfront data edits, and helps avoid delays in paper handling and duplicate reporting. AES also offers filers immediate confirmation by returning an internal transaction number that verifies export documentation has been filed, he said.

"All of our customers currently file electronically and have done so for a number of years. We see no disadvantages for the filer.

Page 26 >

The Census Bureau has finished rewriting U.S. export rules, therefore paper processing of export documents is coming to a close

> **Page 24** We see obvious data quality, timeliness and reduced cost advantages for Customs and Border Protection," said Andrew Bullen, president of Midland Park, N.J.-based IES Ltd., a company that offers a portfolio of logistics management solutions that automate the documentation, Customs clearance and accounting processes for forwarders, customs brokers and non-vessel-operating common carriers.



*Jim Preuninger,  
Chief Executive,  
Management  
Dynamics*

"Customs and Border Protection will also reap significant advantages," Preuninger also noted. "By requiring exports to be reported pre-departure, AES allows the government to more efficiently monitor export compliance and security at our borders at a time when security is top of mind for companies of all sizes."

However, some exporters don't see a real, tangible benefit to adopting AES, said Lynn Lefevre, manager of trade solutions, export compliance, at eCustoms, a company that has

been delivering automated and integrated international trade solutions for 25 years. Its focus is on technology that helps manage country-specific trade regulations, customs compliance, tariff management and import-export documentation.

**What is AES?**

AES is the central point through which export shipment data required by multiple agencies is filed electronically to Customs. AES is a nationwide system operational at all ports and for all methods of transportation. "The system was designed to ensure compliance with and enforcement of laws relating to exporting, improve trade statistics, reduce duplicate reporting to multiple agencies and improve customer service," Preuninger said.

In the past, shippers completed export documentation, specifically the SED (Shipper's Export Declaration), manually and presented it to Customs at the cargo's port of exit. Often, the data were incomplete or wrong, but because the shipment already had left the country, no corrective action could be taken, Lefevre said.

Prior to AES, the U.S. Census Bureau monthly received approximately 450,000 paper export declarations, of which at least half contained errors, according to Preuninger. To remedy the

margin of error stemming from the paper-based system, the government introduced the Automated Export System, an Internet-based system for filing SED information.

When filing electronically, Bullen said, data are communicated directly to Customs via electronic data interchange (EDI), all data entry is validated by the system, and Customs returns an acceptance or rejection response, along with printing the Internal Transaction Number on documentation that confirms to the carrier that the cargo is ready to move. When filing via paper, the user prints the export data on the form and sends the SED to the carrier who then files with Customs.

It used to be that shippers had four filing options through AES, but now they will have only two. Option 2, as it's called in industry-speak, requires full pre-departure transmission and is the common way of reporting export shipments through AES, Page 28 >



*Lynn Lefevre  
Manager of Trade  
Solutions,  
Export Compliance,  
eCustoms*

## Management Dynamics streamlines Customs AES compliance for global exporters

The consequences of noncompliance have changed significantly. Errors in filing are no longer just a "cost of doing business" for shippers. Industry-leading companies recognize that adhering to the fast-approaching Customs AES mandatory filing rule is essential for doing business globally, and that they need to develop an ongoing commitment to corporate risk management and process excellence across the enterprise to remain competitive in today's security regulated global market.

Management Dynamics is setting the industry standard in automating global trade compliance for global exporters. The company provides the world's leading enterprise shippers and freight forwarders, including Boeing, Wah Chang and Eagle Global Logistics, with the capabilities to reduce the risk of noncompliance, by determining accurate data and efficiently filing the necessary documentation electronically with Customs AES.

Management Dynamics offers comprehensive automated regulatory compliance programs that provide exporters with peace of mind knowing that their data is accurate and timely. By enabling automatic filing with AES, our solution eliminates trade documentation errors and reduces border delays and hefty fines and penalties for compliance violations, while expediting the entire export process.

Management Dynamics' AES solution enables shippers to comply with the AES ruling by:

- Generating, validating and editing transaction data required for AES filing.



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- Supporting all filing options and validating transaction data in accordance with U.S. Customs and U.S. Department of Commerce regulations.

- Managing messages sent between Customs and the user and subsequently populating shipment data directly into the system.
- Reducing the need for manual intervention, maintaining a solid audit trail and generating management reports.

Management Dynamics' AES solution, approved by U.S. Customs, is powered by Global Knowledge®, the industry's most comprehensive and up-to-date database of global trade content and international business rules, to ensure complete and accurate Customs filings. The integrated solution allows customers to quickly and efficiently access real-time tariff and contract rates and preferential duties and taxes, check against all import and export controls and restricted parties lists, as well as determine and generate the documentation required for cross-border commerce across 99 percent of the world market.

Established in 1990, Management Dynamics' solutions are currently deployed to more than 13,000 users in 70 countries. ■

Filing the wrong  
HTS number  
**\$1,000**

Exporting to a  
restricted party  
**\$10,000**

Remaining compliant  
with Customs AES  
**Priceless**



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The consequences of non-compliance are serious. Errors in filing are no longer just a 'cost of doing business' for shippers. With the mandatory Customs AES filing rule just around the corner, companies of all sizes need to move risk management to the top of their agenda. But, without timely trade knowledge and compliance practices in place, you are bound to get held up at the border and wind up contributing more to CBP coffers.

We can help. Management Dynamics offers comprehensive automated regulatory compliance programs that give exporters the peace of mind of knowing their data is accurate and up-to-date. By enabling automatic filing with AES, our Global Trade Management solutions eliminate trade documentation errors, reduce border delays and minimize fines and penalties, while expediting your entire export process. **Remain competitive, remain compliant.** Call us today at (201) 935-8588 or visit [ManagementDynamics.com](http://ManagementDynamics.com).

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> **Page 26** used by the vast majority of exporters, Lefevre said.

Option 4, which was implemented in March 1999, allows approved exporters to send a shipment without pre-departure notification to AES. Full post-departure information must be reported within 10 working days from the exportation date, Bullen said.

"However, Option 4 is for a very small number of qualifying exporters who ship the same goods regularly and who have a strong track record of operating within the terms of the regulations," Lefevre said.

Mandatory AES filing also will make violations harder to conceal and could be met with heavier fines, and in some cases, jail time.

"Shippers need to understand that this is no longer a slap-on-the-wrist situation," Bullen cautioned. "The fines and possible sentences are real. Using an automated denied-party screening system makes compliance easy, so there's no excuse for not doing so."

Preuninger agrees, saying that civil penalties can cost small to large exporters \$1,100 per violation per day and up to \$10,000, and violations considered criminal for fraudulent or misleading data could cost shippers \$10,000 per violation and five years in prison.

Lefevre says national security is paramount,

and "export violations are going to be viewed harshly: Executives could end up in jail, and companies could be hard hit by crushing fines or by a ruling barring them from conducting international business transactions," she said.

Exporters who ship sensitive merchandise or export to restricted countries won't face any special challenges, as long as they follow the rules, Bullen said. In fact, he said, the increased monitoring and press coverage may help some companies avoid violations by forcing them to validate their shipment parties.

Preuninger concurs, saying AES will enable smooth transactions for shippers of sensitive materials, such as chemical, aerospace and defense manufacturers. "AES electronically interfaces with the Commerce Department's Bureau of Industry and Security and the State Department's Directorate of Defense Trade Controls to validate data on export shipments against previously approved licenses and transmits the transaction to the appropriate partnership agency," he said.

Lefevre added that every company selling goods internationally, not only those dealing with controlled goods, has an obligation to comply with export laws.

### What's out there for shippers?

There are many providers that offer Web-based services, export compliance tools and consultancy services to help shippers understand AES filing and make filing easier for them.

For example, IES's AES module is fully integrated with the company's export modules



*Andrew Bullen  
President, IES Ltd.*

automating the process of complying with U.S. Customs reporting requirements. AES data is validated through user input in the standard shipment-processing program. Then, AES data automatically is sent to Customs via an encrypted MQ interface. Responses are automatically received in the export modules.

Management Dynamics offers shippers automated regulatory compliance programs. "By enabling automatic filing with AES, our solution eliminates trade documentation errors and minimizes transportation and overhead costs, while expediting the entire export process," Preuninger said.

According to Lefevre, eCustoms, Visual Exporter solution is an export management system that produces the required export documentation, conducts final compliance checks and disseminates information to supply-chain partners and submits the required electronic declaration to AES directly from the software.

Visual Exporter, which interfaces with a variety of enterprise resource planning systems, also is designed to help businesses pull together all the information needed to accurately complete a SED, including export license and tariff classification details. "It automatically pre-checks documents before they are submitted to reduce the number of rejections and resubmissions," Lefevre said. "In the event of rejections or returns with warnings from AES, Visual Exporter puts the shipment on hold and watermarks documents accordingly." ■