

Supply Chain Security: Boeing's C-TPAT Program (Customs-Trade Partnership Against Terrorism) & Commercial Invoices

Ken Konigsmark & Val Parker
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Workshop Purpose

- **Ensure Boeing Suppliers understand:**
 - **What C-TPAT is, why Boeing is involved, and how it may impact them**
 - **The actions Boeing intends to take to assess and enhance supply chain security**
 - **That supply chain security requirements are here to stay and may increase in the future**
 - **Understanding Boeing's and Suppliers' responsibility regarding Commercial Invoice Requirements**

C-TPAT Background

- As a result of 9/11, U.S. Customs is partnering with industry to enhance border security
- C-TPAT goal: prevent cargo containers from being used to smuggle terrorists or weapons of terror into the U.S.
- C-TPAT requires importers, carriers, brokers and suppliers to enhance their own security practices and those of business partners involved in your supply chains
- C-TPAT is THE highest-profile program in Bureau of Customs and Border Protection's layered defense of the US

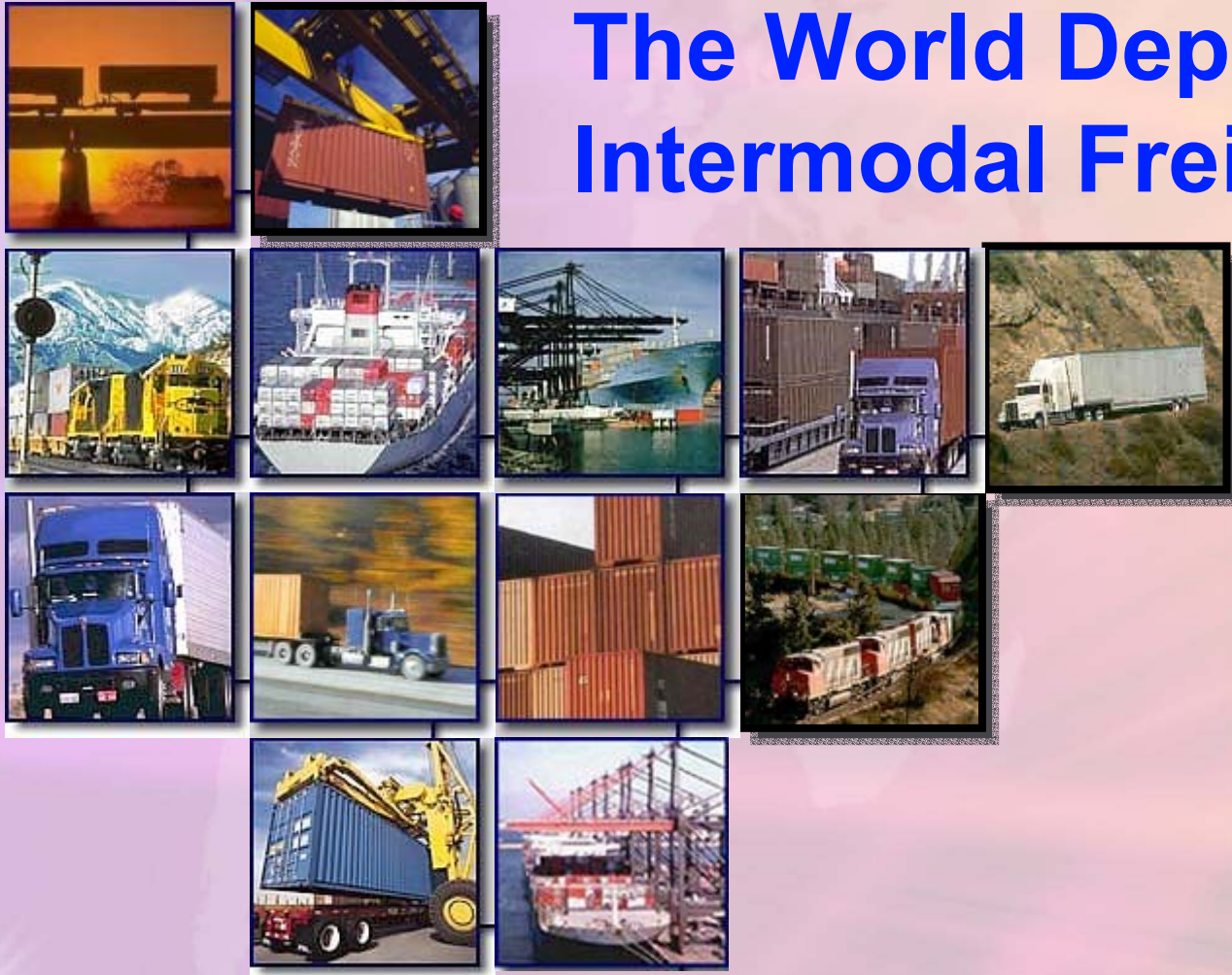
Commissioner Bonner and Secretary Ridge are Getting Tough on Terrorism



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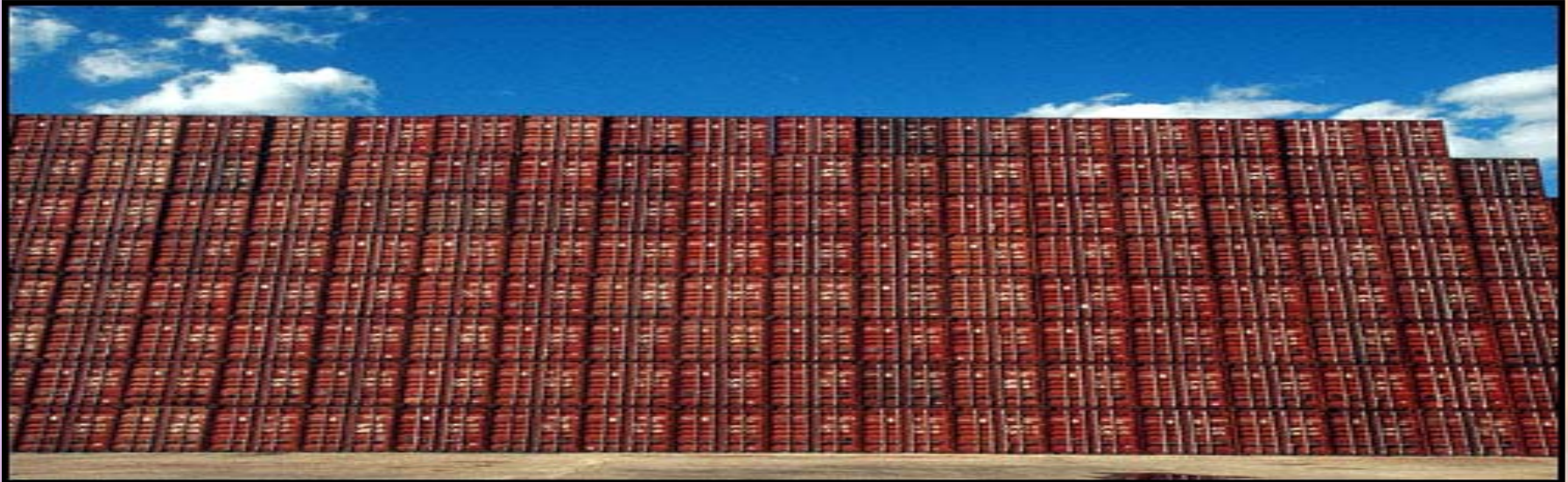
The World Depends on Intermodal Freight



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Over 11 Million Containers Arrive in the USA each Year



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Container Drayage at all Hours



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Trucks with Containers waiting to Clear Customs



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C-TPAT Importer Security Requirements

- **Develop and implement a verifiable, documented program to enhance security procedures throughout your supply chain to include:**
 - **Procedural Security**
 - **Physical Security**
 - **Access Controls**
 - **Personnel Security**
 - **Manifest and Conveyance Security**
 - **Education and Training Awareness**



Importers Agree To:

- Sign a Memorandum of Understanding and submit a **Supply Chain Security Profile**
- Conduct a comprehensive **security self-assessment of their supply chains**
- Develop and implement a program to **enhance security** throughout their supply chain
- **Communicate C-TPAT guidelines to other companies** in their supply chain and promote compliance
- Complete a **Validation Visit** by U.S. Customs

In return, C-TPAT offers:

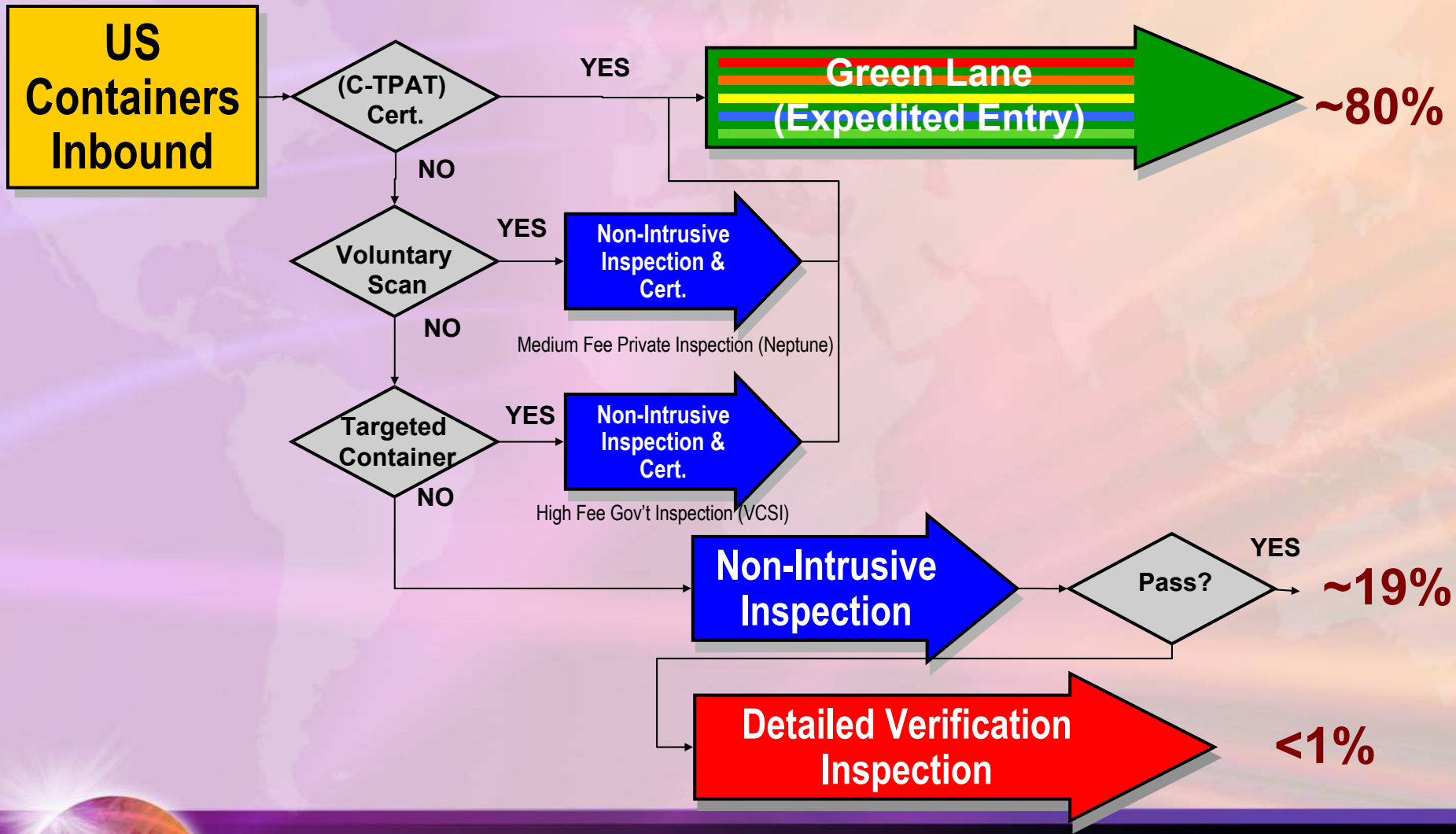
- **Green Lane Processing - Reduced cargo inspections**
- **Assigned account manager with Customs**
- **Self-policing and assessment vs. regulation**
- **More efficient & secure supply chain**
- **Eligibility for Importer Self-Assessment Program**
- **Best protection for continued operations if an incident occurs**



Risks of Not Participating in C-TPAT

- Slower path through Customs clearance = **shipment delays**
- Exclusion from Importer Self Assessment = **audits**
- Actual and perceived security vulnerabilities in Boeing supply chains
- Negative image/competitive position/loss of business
- Potential carrier refusal of Boeing freight
- **Worst case impacts/disruptions if terrorist incident occurs**

The Green Lane



Boeing's C-TPAT Program

- Applied for C-TPAT January 2003; certified March 2003
- Executive owner of C-TPAT is Vice President, SSG Supply Chain Services (V. Jackson)
- Moved from planning to implementation: Program office, Implementation team and Executive Steering Committee formed
- Is a cross-functional, enterprise-wide, team effort
- Along with cost, schedule, and quality, **must now factor SECURITY into all operational planning**

Boeing C-TPAT Plan

- Map our supply chains **“To Be”** instead of **“As Is”**
- **Minimize the number of routings to fewer carriers** to improve security and lower transportation costs
- Employ **only C-TPAT certified carriers**
- **New Shipping Instructions** that stress the need for supply chain **security**
- **Frequent dialogue with buying community** on C-TPAT
- Companies in our supply chain are **security partners with us**

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More About the Plan

- **Must enforce the Shipping Instructions**
- **Issue Transportation Chargebacks** for violations of Shipping Instructions
- **Possible “Security Penalty” for “Problem Violators”**
- **Phased implementation based on “risk ratings”**
- **GOAL: Improve supply chain security and efficiencies while minimizing cost impacts**

Actions with Boeing Foreign Suppliers

- Letter and security recommendations sent 9/2004
- Security **self-assessment questionnaire**
- Pilot **site assessment** program; future assessment plan
- Potential **security-related source selection criteria and contract terms and conditions**
- Potential **minimum security requirements**
- Potential future requirement for **C-TPAT certification**
- Potential future requirement for **“smart containers”**

C-TPAT Foreign Manufacturer Security Recommendations (Handout)

- **Physical Security:** Buildings constructed of materials, which resist unlawful entry and protect against outside intrusion
- **Access Controls:** Prevent unauthorized access to the shipping, loading dock and cargo areas
- **Procedural Security:** Prevent unintended items from being introduced into any shipments/cargo
- **Personnel Security:** Screen and interview prospective employees to include periodic background checks
- **Education and Threat Awareness:** A security training program should be provided to employees

With end-to-end supply chain security, Boeing imports will have less inspections and delays



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And Fewer Intensive Examinations



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Enabling Efficient, Reliable Deliveries and Production



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Next Steps

- **Phased distribution of security self-assessment questionnaire**
- **Pilot site assessment program**
- **Mapping of “to be” supply chains; new shipping instructions**
- **Based on lessons learned, determine future plans:**
 - **Scope of future site assessments**
 - **Minimum supplier security requirements**
 - **Contract terms and conditions and source selection criteria**
 - **Education and training**

Conclusion

- ***Terrorist threats*** involving cargo containers ***are real***
- ***We must consider Boeing a specific terrorist target!***
- Expeditious implementation of C-TPAT is the proper path to ***ensure Boeing supply chain integrity, security, and reliability***
- ***YOUR HELP WANTED:*** Advice, information welcomed
- **QUESTIONS??**

Topics of Discussion

- 1) *How has your company improved or planned to improve its supply chain security?*
- 2) *How is your company implementing a C-TPAT program?*
- 3) *Would you be willing to host a security site assessment at your facility?*
- 4) *Do you have any suggestions to improve Boeing's supply chain security?*

C-TPAT Back-Up Slides



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Custom's Layered Defense Approach

- **Container Security Initiative (CSI)**
 - U.S. Customs inspections at foreign ports
- **Free and Secure Trade (FAST)**
 - Canada & Mexico border - green lane for registered companies and drivers
- **Operation Safe Commerce (OSC)**
 - Test-bed for new security techniques on ocean containers
- **Customs-Trade Partnership Against Terrorism (C-TPAT)**
 - Industry partnership to secure U.S. supply chains

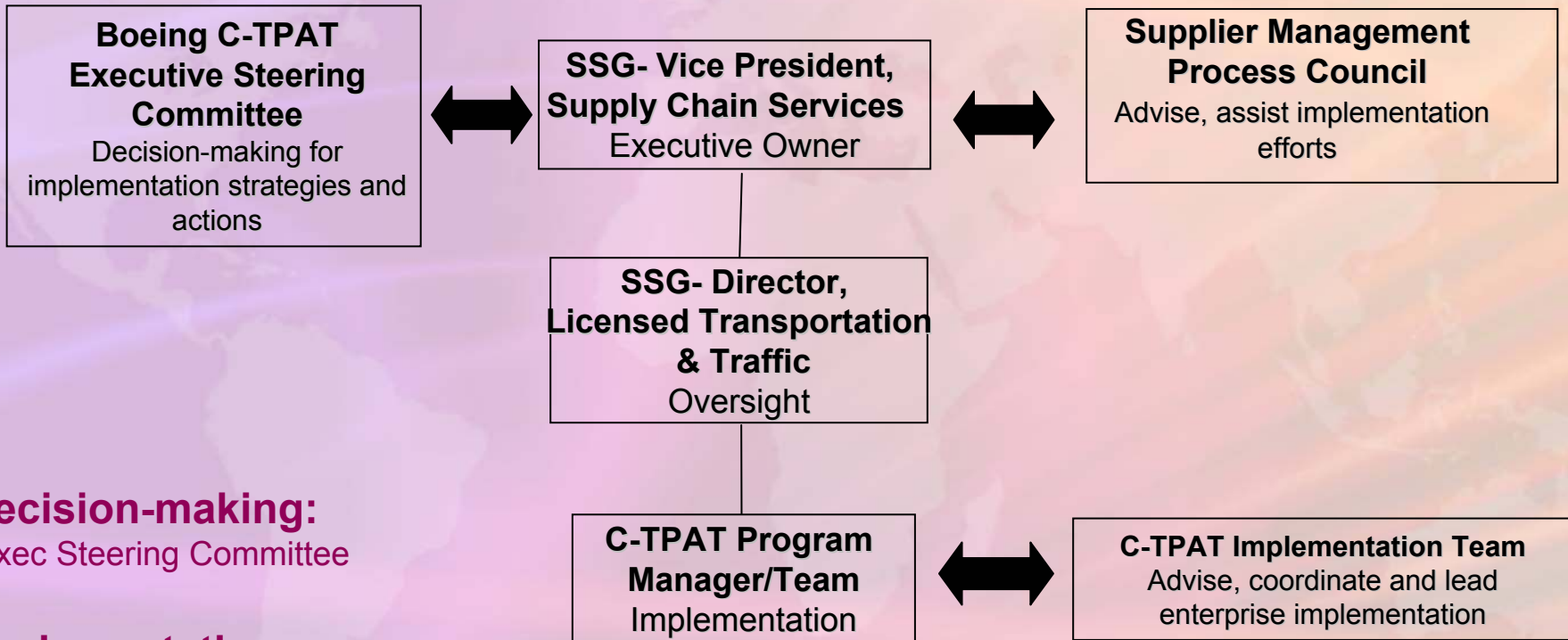
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Customs-Trade Partnership Against Terrorism

Operating Concept



Decision-making:

-Exec Steering Committee

Implementation:

-Business Units, C-TPAT Implementation Team, and C-TPAT PM/Team

Commercial Invoice Requirements

Valerie F. Parker
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What is a Commercial Invoice?

A commercial invoice is one prepared by the foreign seller or shipper of the goods and contains sufficient information for Customs to determine the value, tariff classification, and admissibility of an import shipment.

A commercial invoice is a hard copy document accompanying the import shipment. Customs requires that the commercial invoice exactly duplicates the information on a “payment invoice”.