

Broker bypass

TRG Direct enables small businesses to self-file customs entries.

By ERIC KULISCH

A few ambitious importers prepare and file customs entries on their own, but for most of them the complexity and the cargo volumes needed to justify the extra technology and staff aren't worth the headache.

But a new product on the market intends to make it easier for the do-it-yourself filer, especially small and-medium-size enterprises that have lacked the expertise and systems to bring this function in-house.

The Web-based system, called TRG Direct, gives importers the ability to gain control of entry clearances and save thousands of dollars in outsourcing fees normally paid to customs brokers.

"It's like TurboTax for customs entries," said Michael Laden, a partner in supply chain security and customs compliance consulting firm Trade Innovations.

The importer direct filing service is offered by TBI Brokers, a joint venture between Minneapolis-based Trade Innovations, Trade Risk Guaranty Brokerage Services and Kernow Capital.

Trade Risk Guaranty brings to the alliance a large database of small and mid-size importers that buy its customs bonds to guarantee payment of entry fees owed to the government. Kernow Capital is a holding company in Barrington, Ill., that owns a slew of affiliated firms involved in customs compliance and marine cargo insurance. Burton's Bridge Insurance Services, a Kernow company, is part owner of Trade Risk Guaranty.

Trade Innovations operates TBI Brokers, which uses software developed by NetChb that allows importers to enter and manage customs entries on any computer with Internet access rather than buying expensive proprietary software and upgrades to do the work and communicate with the Automated Broker Interface, CBP's electronic filing system for import documents. The automated entry process includes built-in edits that eliminate mistakes, such as submitting an entry that isn't complete. TRG Direct also has a comprehensive parts database that lists every item a customer imports. Direct-fil-

ers pay all CBP duties, taxes and fees via the agency's Automated Clearing House or periodic monthly statement.

TBI Brokers backs the online software with licensed brokers who are available free of charge to help customers with problems in addition to providing technical support.

After a one-time, \$2,000 start-up fee, a customer simply pays a \$1,200 annual maintenance fee and \$20 per entry. The importer with infrequent shipments or who wants to test the system first can opt to pay a flat fee of \$30 per entry. That compares to about \$125 for the average entry submitted by a customs broker.

"If you do 1,000 entries per year, you're saving \$100,000," said John Michel, presi-

dent of TRG. "An importer can do the easy ones with technology today, but leave the difficult ones for the broker."

Direct filing is best suited for companies with more than 200 shipments per year, and no complex antidumping, countervailing duty or quota calculations, according to a TRG Direct brochure.

A few companies self-broker their customs entries, including Fingerhut, Hasbro, Mattel and Target. Laden is known as an innovator in the industry and helped set up Target's in-house brokerage before leaving to co-found Trade Innovations in 2005. It has replicated the Target model



Michael Laden
partner,
Trade Innovations

"It's like TurboTax for customs entries."

for other companies, but self-preparation and filing of entries has been limited to date because of significant technical requirements. Trade Innovations has figured a way to make the process scalable for small and medium businesses, but large companies are also signing up for TRG Direct, Laden said.

"We view it as a tool for leveling the playing field between the small and medium enterprises and the multinationals," said Leslie Levy August, senior vice president of Kernow Capital.

TRG Direct executives say that self-filing customs entries gives importers greater control of their entry data, improves compliance and speeds up customs clearance. That's because the importer knows the imported product better than a third party with multiple clients, can quickly resolve entry questions and is likely to take greater care to process entries early and without mistakes. Eliminating the middleman puts the importer in better touch with the foreign vendors and means errors in documentation are generally caught and corrected sooner. Suppliers can be pressed to courier or transmit invoices and other documents faster so that entries can be pre-filed while the vessel is at sea. Pre-filing entries, in turn, enables an importer to receive provisional clearance from CBP, and plan which containers can immediately get picked up after discharge from the vessel, thereby eliminating one or two days idling at the port. The extra time is also valuable in notifying the buyer and planning inventory contingencies for containers that are held for exam.

Another benefit of hands-on attention to shipping data is that it enhances understanding of when goods leave the factory and other transportation handoffs.

And, they argue, that the importer does the majority of work collecting the data (tariff classification, value and country of origin) for the entry and then ends up paying someone for the simple filing task.

TBI Brokers beta tested the system with clients for 18 months and already has more than 70 live customers and 30 to 40 more in various stages of preparation, Laden said. The American Association of Exporters and Importers' winter conference, held Jan. 21-22 in Newport Beach, Calif., served as the official launch of TRG Direct. But the big dress rehearsal and marketing push took place in mid-March at the International Compliance Professionals Association conference in San Antonio.

TRG Direct is fully capable of handling Mexican and Canadian border entries, but Laden said the short distances involved

make it more difficult for importers to get the necessary documents from suppliers before the goods arrive at the border and coordinate information exchanges with the Mexican broker. TRG Direct plans to begin testing cross-border entries with a couple of large parties in the next few weeks, he said.

"The program is extremely user friendly and the support at TRG Direct is phenomenal," said Bill Royal, an import operations manager at Vineyard Brands. The small Birmingham, Ala.-based wine importer was an early adopter of the system and has been making its own entries for the past year. It uses the \$30 per entry option because it only does about five to six entries per week.

"Now that our broker doesn't arrange transportation we're able to arrange our own transportation with trucking companies and come out a little better there as well."

Bill Royal
import operations
manager,
Vineyard Brands

The technology has enabled Vineyard Brands to seamlessly incorporate the customs entry model into its four-man import operation.

"Instead of preparing documents for the broker we're just taking that time and making entry ourselves," he said.

The company wanted to save money on filing customs entries, but has since discovered that it also has eliminated premiums tacked on by brokers for handling payments such as dock fees and the PierPass daytime truck congestion surcharge at the Los Angeles-Long Beach port complex.

"Now that our broker doesn't arrange transportation we're able to arrange our own transportation with trucking companies and come out a little better there as well," Royal added.

Ardisam, a mid-size manufacturer of outdoor equipment such as hunting blinds and tree stands, has also enjoyed success using TRG Direct during the past year.

"I can do an entry if everything goes smoothly in less than five minutes," because

the only inputs required once the account is created are from the carrier's bill of lading and the supplier's invoice, said Sandy Roberts, Ardisam's import manager. TRG Direct will even file an entry if she's in a bind for a fee that is less than that of a traditional broker.

Ardisam imports more than 200 containers per year, but so far is only direct filing entries on one-third of those that come to its Minneapolis warehouse. Roberts said she still relies on her customs broker/forwarder to clear entries for direct shipment to customers in other parts of the country because they have existing relationships with trucking companies. But Ardisam, based in Cumberland, Wis., plans to gradually take over all its customs entry and truck dispatch work.

"I can't say enough about it, and the cost savings are unbelievable," Roberts said of TRG Direct. In addition to eliminating broker fees, the company has reduced rail demurrage and container exam fees from \$40,000 to about \$4,500 per year because of the increased ability to control shipments.

The communication from CBP via ABI lets her know where a container is, when it's been released or if there is a hold. Roberts said the fact that Customs usually releases a container or requests some extra documentation in less than 24 hours makes her realize that many delays blamed by busy freight forwarders on Customs glitches are a convenient excuse for their own inefficiency.

Roberts said she saves a huge amount of time not having to field calls from brokers who need an explanation or tariff code for a particular product.

"This software has motivated me to the point that I'm studying to take the broker exam," Roberts said.

TBI Brokers closely worked with CBP to smooth the way for the program. A key step for direct filers is getting a filer code from CBP that designates who is filing the entry. TRG Direct provides the initial set up and training, and CBP assigns an ABI representative who can help resolve problems or questions with the filing system. The filer then goes into a live test environment with CBP where it can load as many dummy entries as it wants and get responses until it becomes comfortable with ABI.

"We encourage people to go in with old sets of shipping documents, and even intentionally make mistakes so they know how the system is going to react when that occurs," Laden said.

The entire approval process can take six to eight weeks. ■