

In-Bond Transport Modernization Arrives

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Regulatory changes are coming to in-bond transportation that will impact the operations of bonded carriers in the United States. The practice of in-bond transportation permits motor carriers to lawfully transport freight from one port of entry to another where the goods are then entered for warehousing, admitted to a foreign trade zone, entered for consumption in the U.S., or exported from the U.S. This flexibility can be a valuable tool for the effective management of traffic flows in global supply chains.

The administrative process supporting these operations is now set to modernize. U.S. Customs and Border Protection (CBP) published a final rule in September 2017 that adopted several key amendments to CBP regulations regarding the in-bond process (82 Fed. Reg. 45366). Chief among these new requirements is the elimination of the infamous CBP Form 7512 as a paper document in favor of the mandatory electronic filing of in-bond applications. The electronic filing may be submitted via the Automated Commercial Environment (ACE) or QP/WP, which is an ABI-hosted in-bond system that will allow all parties to submit electronic filings directly to CBP. As a result of the electronic filing, CBP will gain real-time information on goods in transit and that is expected to allow for easy reconciliation of shipments.

CBP's compliance deadline is currently August 6, 2018. As of this date, CBP will no longer accept Form 7512 in paper form and electronic reporting will become mandatory. The new system includes other process changes that may cause headaches for bonded carriers. For example, the in-bond application will require additional information that includes the six-digit Harmonized Tariff Schedule (HTSUS) number. This classification will of course come from the importer or its customs broker and must be received together with sufficiently accurate descriptions to describe the cargo as necessary to any U.S. government agency having jurisdiction. Carriers must receive and submit a Facilities Information and Resources Management System (FIRMS) code with the application. Carriers will be required to electronically request and receive permission from CBP before diverting in-bond merchandise from its intended destination port to another port. Finally, the arrival and location of in-bond merchandise also must be electronically reported within 48 hours following arrival at the ultimate port of entry into the U.S. or the port of exportation from the U.S.

Fortunately, certain operational changes included in the final rule will yield greater efficiency in today's fast-paced transit environment. For example, in-bond cargo may now be hauled with non-bonded cargo in the same unsealed container or compartment if the in-bond items are corded, sealed or labeled as in-bond. Additionally, CBP permission is no longer required to break and replace a seal provided that the activity of breaking and replacing seals is adequately documented for the in-bond cargo. These are welcomed changes for day-to-day transportation operations.

Bonded carriers are facing a challenge to get up to speed with these new CBP regulations. CBP is providing a 90-day flexible enforcement period intended to take into account the challenges associated with compliance. This enforcement posture is of course discretionary and depends in large part on making good-faith efforts and marking progress toward compliance. The use of paper documentation will not likely end overnight and very well may continue in parallel to these electronic requirements as carriers and others adapt to this new operating environment.

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