

APPENDIX F

19 Code of Federal Regulations (CFR) Part 118

TITLE 19--CUSTOMS DUTIES

CHAPTER I--BUREAU OF CUSTOMS AND BORDER PROTECTION, DEPARTMENT OF

PART 118 - CENTRALIZED EXAMINATION STATIONS

Sec. 118.0 Scope.

This part sets forth regulations providing for the making of agreements between Customs and persons desiring to operate a centralized examination station (CES). It covers the application process, the responsibilities of the person or entity selected to be a CES operator, the written agreement to operate a CES facility, the port director's discretion to immediately suspend a CES operator's or entity's selection and the written agreement to operate the CES or to propose the permanent revocation of a CES operator's or entity's selection and cancellation of the written agreement for specified conduct, and the appeal procedures to challenge an immediate suspension or proposed revocation and cancellation action. Procedures and requirements for the transfer of merchandise to a CES are set forth in part 151 of this chapter.

Subpart A - General Provisions

Sec. 118.1 Definition.

A centralized examination station (CES) is a privately operated facility, not in the charge of a Customs officer, at which merchandise is made available to Customs officers for physical examination. A CES may be established in any port or any portion of a port, or any other area under the jurisdiction of a port director. To present outbound cargo for inspection at a CES at a port other than the shipment's designated port of exit, either proof of the shipper's consent to the inspection must be furnished or a complete set of transportation documents must accompany the shipment to evidence that exportation of the goods is imminent and that the goods are committed to export, thereby, making them subject to Customs examination.

Sec. 118.2 Establishment of a CES.

When a port director makes a preliminary determination that a new CES should be established, or when the term of an existing CES is about to expire and the port director believes that the need for a CES still exists, he will announce, by written notice posted at the customhouse and by any other written methods he may consider appropriate (such as normal port information distribution channels, trade bulletins or local newspapers), that applications to operate a CES are being accepted. This notice will include the general criteria together with any local criteria that applicants must meet (see Sec. 118.11 of this part), and will invite the public to submit any relevant written comments on whether a new CES should be established or on whether there is still a

need for a CES. Applications will be accepted only in response to the port notice and must be received within 60 calendar days from the date of the notice. Public comments must be received within 30 calendar days from the date of the notice.

Sec. 118.3 Written Agreement.

The applicant tentatively selected to operate a CES must sign a written agreement with Customs before commencing operations. Failure to execute a written agreement with Customs in a timely manner will result in the revocation of that applicant's tentative selection and may result in tentative selection of another applicant or republication of the notice soliciting applications. In addition to the provisions described elsewhere in this part, the agreement will specify the duration of the authority to operate the CES. That duration will be not less than three years nor more than six years. Such agreements cannot be transferred, sold, inherited, or conveyed in any manner. At the expiration of the agreement, an operator wishing to reapply may do so pursuant to this part and his application will be considered de novo.

Sec. 118.4 Responsibilities of a CES Operator.

By signing the agreement and commencing operation of a CES, an operator agrees to:

- (a) Maintain the facility designated as the CES in conformity with the security standards as outlined in the approved application;
- (b) Provide adequate personnel and equipment to ensure reliable service for the opening, presentation for inspection, and closing of all types of cargo designated for examination by Customs. Such service must be provided on a ``first come-first served'' basis;
- (c) Assess service fees as outlined in the fee schedule included in the approved application or as changed under Sec. 118.5 of this part and bill users directly for services rendered;
- (d) Assume responsibility for any charges or expenses incurred in connection with the operation of the CES;
- (e) Maintain, at his own expense, adequate liability insurance with respect to the property within his control and with respect to persons having access to the CES;
- (f) Keep current the list filed with the port director pursuant to Sec. 118.11(f) of this part. Additions to or deletions from the list must be submitted in writing to the port director within 10 calendar days of the commencement or termination of employment;
- (g) Maintain a Customs custodial bond in an amount set by the port director. The CES operator will accept and keep safe all merchandise delivered to the CES for examination. The bond will include liability for transporting merchandise to the CES from within the district boundaries (see definition of ``district'' at Sec. 112.1); such liability is assumed by the CES operator

when he picks up merchandise for transportation to his facility. The operator also agrees to increase the amount of the bond if deemed appropriate by the port director.

- (h) Maintain and make available for Customs examination all records connected with the operation of the CES in accordance with part 162 of this chapter and retain such records for a period of not less than five years from the date of the transaction or examination conducted pursuant to the agreement to operate the CES;
- (i) Submit, if requested by Customs, the fingerprints of all employees involved in the CES operation;
- (j) Provide office space, parking spaces, appropriate sanitary facilities, and potable water to Customs personnel at no charge or a charge of \$1 per year; and
- (k) Perform in accordance with any other reasonable requirements imposed by the port director.
- (l) Provide transportation for merchandise to the CES from within the district boundaries (see definition of ``district'' at Sec. 112.1). This responsibility is optional. If the CES operator chooses to provide transportation, he shall receipt for the merchandise when he picks it up and assume liability for the merchandise at that time.

Sec. 118.5 Procedures for Changes to a Fee Schedule.

Whenever a CES operator intends to increase, add to or otherwise change the service fees set forth in the fee schedule referred to in Sec. 118.4(c) of this part, the operator shall provide 90 calendar days advance written notice to the port director of such proposed fee schedule change and shall include in the notice a justification for any increased or additional fee. Following receipt of this written notice, the port director will advise the public of the proposed fee schedule change and invite comments thereon under the public notice and comment procedures set forth in Sec. 118.2 of this part. After a review of the proposed fee schedule change and any public comments thereon, and based on the principle of comparability set forth in Sec. 118.11(c) of this part, the port director will decide whether to approve the change, will notify the CES operator in writing of his decision, and will notify the public of any approved fee schedule change by the same methods that were used to provide the public with notice of the proposed change. A CES operator shall remain bound by the existing fee schedule and shall not implement any fee schedule change prior to receipt of written approval of the change from the port director.

Sec. 118.11 Contents of CES Application.

Each application to operate a CES shall consist of the following information, any application not providing all of the specified information will not be considered, and the responses to paragraphs (b), (c), (d), (g) and (h) of this section shall constitute the criteria used to judge the application:

- (a) The name and address of the facility to be operated as the CES, the names of all principals or corporate officers, and the name and telephone number of an individual to be contacted for further information;
- (b) A description of the CES's accessibility within the port or other location, and a floor plan of the facility actually dedicated to the CES operation showing bay doors, office space, exterior features, security features, and staging and work space. Where a significant capital expenditure would be required in order for an existing facility to meet security or other physical or equipment requirements necessary for the CES operation, the applicant may request in the application time to conform the facility to such requirements. The agreement referred to in Sec. 118.3 of this part shall not be executed, in any event, until the facility is conformed to meet the requirements;
- (c) A schedule of fees clearly showing what the applicant will charge for each type of service. Subject to any special costs incurred by the applicant such as facility modifications to meet specific cargo handling or storage requirements or to meet Customs security standards, the fees set forth in the schedule shall be comparable to fees charged for similar services in the area to be served by the CES;
- (d) A detailed list of equipment showing that the applicant can make a diverse variety of cargo available for examination in an efficient and timely manner;
- (e) A copy of an approved custodial bond on Customs Form 301. If the applicant does not possess such a bond, a completed Customs Form 301 must be included with the application for approval as a prerequisite to selection;
- (f) A list of all employees involved in the CES operation setting forth their names, dates of birth, and social security numbers. (Providing social security numbers is voluntary; however, failure to provide the number may hinder the investigation process.);
- (g) Any information showing the applicant's experience in international cargo operations and knowledge of Customs procedures and regulations; and
- (h) Any other information to address any local criteria that the port director considers essential to the selection process based on port conditions.

Subpart B - Application to Establish a CES

Sec. 118.11 Contents of Application.

Each application to operate a CES shall consist of the following information, any application not providing all of the specified

information will not be considered, and the responses to paragraphs (b), (c), (d), (g) and (h) of this section shall constitute the criteria used to judge the application:

- (a) The name and address of the facility to be operated as the CES, the names of all principals or corporate officers, and the name and telephone number of an individual to be contacted for further information;
- (b) A description of the CES's accessibility within the port or other location, and a floor plan of the facility actually dedicated to the CES operation showing bay doors, office space, exterior features, security features, and staging and work space. Where a significant capital expenditure would be required in order for an existing facility to meet security or other physical or equipment requirements necessary for the CES operation, the applicant may request in the application time to conform the facility to such requirements. The agreement referred to in Sec. 118.3 of this part shall not be executed, in any event, until the facility is conformed to meet the requirements;
- (c) A schedule of fees clearly showing what the applicant will charge for each type of service. Subject to any special costs incurred by the applicant such as facility modifications to meet specific cargo handling or storage requirements or to meet Customs security standards, the fees set forth in the schedule shall be comparable to fees charged for similar services in the area to be served by the CES;
- (d) A detailed list of equipment showing that the applicant can make a diverse variety of cargo available for examination in an efficient and timely manner;
- (e) A copy of an approved custodial bond on Customs Form 301. If the applicant does not possess such a bond, a completed Customs Form 301 must be included with the application for approval as a prerequisite to selection;
- (f) A list of all employees involved in the CES operation setting forth their names, dates of birth, and social security numbers. (Providing social security numbers is voluntary; however, failure to provide the number may hinder the investigation process.);
- (g) Any information showing the applicant's experience in international cargo operations and knowledge of Customs procedures and regulations; and
- (h) Any other information to address any local criteria that the port director considers essential to the selection process based on port conditions.

Sec. 118.12 Action on Application.

Following submission of all applications in accordance with Sec. Sec. 118.2 and 118.11 of this part, the port director will advise

the public of the applications received and invite comments thereon under the public notice and comment procedures set forth in Sec. 118.2; with regard to each application, the notice will set forth the name of the applicant, the address of the facility proposed to be operated as the CES, the proposed fee schedule, the list of equipment at the facility, and the number of employees to be involved in the CES operation. The port director, based on a review of all applications under the criteria set forth in Sec. 118.11 and any public comments submitted under Sec. 118.2 or this section, shall determine whether a CES operator should be selected and, if a CES operator is to be selected, shall select the applicant that will best meet the examination needs of Customs and facilitate the movement of merchandise.

Sec. 118.13 Notification of Selection or Nonselection.

The applicant selected to operate a CES will be notified in writing by the port director of his tentative selection. The selection shall become final upon execution of the written agreement between Customs and the applicant under Sec. 118.3 of this part, and the port director will advise the public of the final selection and of the date on which the CES will commence operation under the agreement in accordance with the notice procedures set forth in Sec. 118.2 of this part. Each applicant not selected to be a CES operator will be so notified in writing and with a statement of the reason of nonselection.

Subpart C - Termination of a CES

Sec. 118.21 Temporary Suspension; Permanent Revocation of Selection and Cancellation of Agreement to Operate a CES.

The port director may immediately suspend or propose permanent revocation and cancellation of CES operations for cause as provided in this section.

- (a) Immediate suspension. The port director may immediately suspend, for a temporary period of time or until revocation and cancellation proceedings are concluded pursuant to Sec. 118.23, a CES operator's or entity's selection and the written agreement to operate the CES if:
 - (1) The selection and written agreement were obtained through fraud or the misstatement of a material fact; or
 - (2) The CES operator or an officer of a corporation which is a CES operator or a person the port director determines is exercising substantial ownership or control over such operator or officer is indicted for, convicted of, or has committed acts, which would constitute a felony, or a misdemeanor involving theft or a theft-connected crime. In the absence of an indictment or conviction, the port director must have probable cause to believe the proscribed acts occurred.

- (b) Proposed revocation and cancellation. The port director may propose to revoke the selection as operator and cancel the agreement to operate a CES if:
 - (1) The CES operator refuses or otherwise fails to follow any proper order of a Customs officer or any Customs order, rule, or regulation relative to the operation of a CES, or fails to

- operate in accordance with the terms of his agreement or to comply with any of the provisions of Sec. 118.4 of this part;
- (2) The CES operator fails to retain merchandise which has been designated for examination;
 - (3) The CES operator does not provide secure facilities or properly safeguard merchandise within the CES;
 - (4) The CES operator fails to furnish a current list of names, addresses and other information required by Sec. 118.4 of this part; or
 - (5) The custodial bond required by Sec. 118.4 of this part is determined to be insufficient in amount or lacking sufficient sureties, and a satisfactory new bond with good and sufficient sureties is not furnished within a reasonable time.
 - (6) The CES operator or an officer of a corporation which is a CES operator or a person the port director determines is exercising substantial ownership or control over such operator or officer is indicted for, convicted of, or has committed acts, which would constitute any of the offenses listed under paragraph (a) of this section. Where adverse action is initiated by the port director pursuant to paragraph (a) of this section and continued under this paragraph, the suspension of CES activities remains in effect through the appeal procedures provided under Sec. 118.23.
- (c) Circumstance of change in employment not a bar to adverse action. Any change in the employment status of a corporate officer (for example, discharge, resignation, demotion, or promotion) prior to indictment or conviction or after committing any acts which would constitute the culpable behavior described under paragraph (a) of this section, will not preclude application of this section, but may be taken into account by the port director in exercising discretion to take adverse action. If the person whose employment status changed remains in a substantial ownership, control, or beneficial relationship with the CES operator, this factor will also be considered in exercising discretion under this section.

Sec. 118.22 Notice of Immediate Suspension or Proposed Revocation and Cancellation Action.

Adverse action pursuant to the provisions of Sec. 118.21(a) or (b) is initiated when the port director serves written notice on the operator or entity selected to operate the CES. The notice shall be in the form of a statement specifically setting forth the grounds for the adverse action and shall inform the operator of the appeal procedures under Sec. 118.23 of this part.

Sec. 118.23 Appeal to the Assistant Commissioner; Procedure; Status of CES Operations.

- (a) Appeal to the Assistant Commissioner. Appeal of a port director's decision under Sec. 118.21(a) or (b) must be filed with the Assistant Commissioner, Office of Field Operations, within 10 calendar days of receipt of the written notice of the adverse action. The appeal shall be filed in duplicate and shall set forth the CES operator's or entity's responses to the grounds specified by the port director in his written notice

letter for the adverse action initiated. The Assistant Commissioner, Office of Field Operations, or his designee, shall render a written decision to the CES operator or entity, stating the reasons for the decision, by letter mailed within 30 working days following receipt of the appeal, unless the period for decision is extended with due notification to the CES operator or entity.

- (b) Status of CES operations during appeal. During this appeal period, an immediate suspension of a CES operator's or entity's selection and written agreement pursuant to Sec. 118.21(a) of this part shall remain in effect. A proposed revocation of a CES operator's or entity's selection and cancellation of the written agreement pursuant to Sec. 118.21(b)(1) through (5) of this part shall not take effect unless the appeal process under this paragraph has been concluded with a decision adverse to the operator.
- (c) Effect of suspension or revocation. Once a suspension or revocation action takes effect, the CES operator must cease CES operations. However, when CES operations are suspended or revoked and cancelled by Customs, it is the CES operator's responsibility to ensure that merchandise already at the CES is properly consigned to another location for inspection, as directed by the importer and approved by the port director.