

The Journal of Commerce

The weekly newsmagazine of international trade and logistics, founded in 1827

LETTERS TO THE EDITOR

Clarifying importer bonds

The article "Old idea is new again" in the March 3 JoC incorrectly cites Customs and Border Protection's current bond formula as 10 percent of the annual import values. Rather, the formula is 10 percent of the annual duty paid. This is a relatively low percentage of security in relation to the potential exposure for duties and import values on any particular importer bond.

Assistant Commissioner Dan Baldwin suggests the cost of bonds is expensive to the corporate bottom line, which is an inaccurate statement in our opinion. Annual premiums for minimum bond amounts of \$50,000 can be as low as a few hundred dollars. These minimum bonds

account for approximately 90 percent of active bonds and secure the liability on merchandise with import values in the millions. Companies with larger bonds generally have the insurance programs, including surety, with one or more insurance carriers. Because this environment is competitive, a company that is a good credit risk and has good claim experience often gains the benefit of lower premium rates regardless of the amount of the bond.

With respect to Mr. Baldwin's recommendation of reducing bond amounts for highly compliant importers, although many companies have established compliance initiatives, these efforts bear little correlation to a company's financial capacity. With uncertainties in the economy, a sudden financial down-

turn could result in bankruptcy, merger or dissolution of an importer, leaving the bond as the only vehicle for payment of Customs obligations.

Surety underwriters encourage any efforts to promote and enhance compliance. However, while establishing a "preferential" bond formula for highly compliant companies may be a worthy idea to some in the trade community, it could ultimately undermine the task of protecting the revenue if accurate and consistent monitoring procedures are not established and adhered to by Customs.

*Lee V. Barther
Executive vice president
C.A. Shea & Co.
Chester, N.J.*