



DATA - A QUESTION OF QUALITY

Ask anyone associated with the management or handling of information what concerns them most and you're likely to get a range of answers: accuracy, speed, timeliness, visibility earlier in the process horizon, global accessibility by multiple users, flexibility for reporting and transmission purposes. And quality.

"The biggest issue that companies face is being able to track each cargo shipment," says Yone Dewberry, Managing Director of Centrx, BDP's supply chain analysis subsidiary. "It's about data quality. Getting external business partners, as well as internal resources, on the same page is a must, if a company is to optimize their supply chain process and improve operations."

The data management process is an even greater challenge because information is often provided by multiple partners and has to be integrated across multiple systems. "While it is easy to say I have a global system, there are things that can interfere with the successful movement of data," says Michael Ford, BDP's Vice President of Regulatory Compliance and Quality. "Data is

being driven out of many different systems, both old and new. Companies are now running multiple systems to achieve all their different processes, including manufacturing, distribution, order processing."

"Plus, if I'm a shipper with a large number of business units, I have to contend with the complexities and variables of product identification within my own company," adds Dewberry, "even something seemingly innocuous. For example, what if my business units use different abbreviations for cities or countries? If I wanted to find total shipments from the US to Busan, Korea it would be an issue if some people called it Pusan, Busan, or Bussan. It's not unusual that when shippers try to extract data they often cannot unless they know what product abbreviations are being used by everyone."

Companies are beginning to fully appreciate the impact that data quality has not only on their basic shipment operations but also their strategic business initiatives. Unless shippers and their resources can rely on the information that is at the core of their major business applications, poor data—whether it's inaccurate or inconsistent—will seriously affect operations.

Data problems carry a heavy toll: increased cycle times, delayed shipments, increased costs and penalties, customer dissatisfaction and worse, lost customers. "That's where an effective data quality strategy can help," says Dewberry, "because information is a strategic asset. And quality information is a competitive advantage."

Officially on the record

Compliance and transparency are becoming greater issues, as governments around the world demand more data electronically in advance, putting even more pressure on the order management process. The Sarbanes-Oxley Act in the US, the European Basel Accords and other legislation around the world continue

to push the envelope for shippers and their resources to provide additional information. That's why shippers must demand more from their resources, to help develop creative approaches to their global business processes.

"It's what we at BDP call 'shared knowledge you can trust,'" says Ford. That requires putting technology into the hands of experienced, reliable resources."

"The biggest issue that companies face is being able to track each cargo shipment...It's about data quality."

Yone Dewberry - Centrx Managing Director

New security regulations and profiling requirements demand advance cargo information. "It is critical we use data in the supply chain in the right way," says Ford. "While we generally focus on who needs it, why they need it, where they need it—in order to achieve many different goals—we also share data with our own government and other governments."

The data required for government agencies is critical and is used for enforcement, Ford states. "It is a reflection of us. We must ensure that while we are spending a lot of effort internally—lining up our data, understanding it, aligning it—while it is critical for communications with our customers and suppliers, it is perhaps even more important to our respective governments, due to its high visibility. And although an error may be a simple clerical error, it could affect shippers negatively."

It means the government can penalize shippers and require that companies improve their systems. Sending a bad value (cargo price) out of their systems can be a major problem. As one of the key import/export
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components for governments, price drives revenue, if it's an import. On the export side, while it doesn't drive duty taxes and fees and revenue for the government, it does paint a picture of how much is being exported from a value point of view, which feeds into trade statistics. As an example, in 2006, a major case in Brazil, which was working with the US government, uncovered that the value of exports by a shipper from the US was undervalued and therefore was cheating the Brazilian government out of revenues.

"The data required for government agencies is critical and is used for enforcement. It is a reflection of us."

Michel Ford - BDP Vice President of Regulatory Compliance and Quality

Interestingly, different data systems may be less of an issue than we may think, says Dewberry. "For example, if I have a number of completely different systems, as long as there is consistency in the application of the content, the data is relatively easy

to merge. However, if I have one system with ten divisions and they are all doing things differently, then that can be a problem. The bigger issue is getting different parties to provide the appropriate information, which has always been a problem. That gets us back to the issue of quality and how do you get your partners to work with you more effectively? The cargo owner has to drive the issue because that's the only party that everyone is going to listen to. It's very simple: the shipper must go to the carrier and say I need data with these elements and in this format. At Centrx we are heavily involved in the analysis of shipment data and what constitutes quality data."

What steps should companies take to ensure the data accurately reflects the movement of their cargo? Ford says in addition to focusing on the quality of the information, including its availability and its accuracy in the database, the other component is effective communication of the data. "Companies should review their critical business processes and check their delivery and logistics," he says. "They need to understand their sales and their financials, which includes accounting and billing."

Ford emphasizes the importance of order flow management. "It connects customer service, orders, and logistics. That's where our electronic feeds provide overseas connections. It's why information quality is important: hazardous materials descriptions, invoicing, billing, all parties involved in the order. We want to make sure we understand the data that is being driven out of there and how to use it properly throughout the order."

The question is: Is the data good enough to use? "For instance, customers and other resources pass us certain information and we add to that data and pass it on," Ford says. "We store it in our data warehouse. The customer may have a data warehouse, too. Because there is so much data, we need to narrow it down and understand what is driving it, to ensure we can communicate it effectively to those who need it. All of that is critical as to how good the linkage is once we begin to communicate." ☺

Data breaches cost you more

According to a *Ponemon Institute* 2006 study, data breaches in the USA continue to become more expensive, as costs to companies weigh in at a hefty average of USD182 per compromised record—that's a 30% increase over the 2005 average says *CIO* magazine.

- Average data breach cost per incident: USD4.8 million
- Average spending after incident to prevent further breaches: USD180,000

A study by the *Public Policy Institute for AARP* in the USA last year determined that of the 90 million records compromised in various breaches over an 18-month period, 43% were at educational institutions. In fact, such institutions were twice as likely to report a breach as any other type, followed by the government, general businesses, financial services and healthcare companies.

GLOBAL ECONOMY

According to a perspective from *Piers Global Intelligence Solutions* in a recent issue of *The Journal of Commerce*, the world economy is expected to remain solid and slow only moderately this year, even though the US economy has lost considerable momentum. Of particular note is that global manufacturing slowed in the second half of 2006, led by the US and Japan. Factory sector softness could persist for another quarter or more as inventories are brought into line with final demand. However, global monetary and overall market conditions still support growth and should continue to do so in the coming quarters, and lower oil prices will enhance consumer purchasing power worldwide.

PIERS forecasts expansion in real global GDP of 3.25% in 2007 and almost 3.5% in 2008. This compares with 3.5% for 2006. Fears that the US slowdown will drag the rest of the global economy downward are unlikely to materialize. Furthermore, other countries and regions have taken up the slack. ☺

BUILDING BRICS

Four countries—Brazil, Russia, India and China—the BRIC nations, represent the world's fastest growing emerging markets. While global trade registered 8% growth, the BRIC countries experienced at least double that of the rest of the world. In 2007 Russia is expected to join the other three as members of the World Trade Organization. ☺

▶ SERVING THOSE MOST IN NEED

Matchmakers - BDP's Humanitarian Aid Services

There is no supply chain like it. Although the cargo generally is not unusual, the circumstances and the end users often are. It is the humanitarian aid supply chain—at times a matter of life and death; always a matter of moral and ethical expediency.

We live in a world of “haves” and “have-nots,” an environment whereby vast resources are in play, only to bypass millions. We also see how lives can be changed by one devastating event. Instead of looking on helplessly, many organizations, companies and individuals are stepping forward.

While many companies have formal relief and emergency management programs, others have items to donate and don't always know where or who to turn to. That's where logistics providers can make a big difference, putting their years of expertise and extensive contacts to work for the benefit of the less fortunate.

BDP's Humanitarian Aid staff has nearly 20 years of solid experience serving the needs of Non-Governmental Organizations, charity and relief groups, as well as commercial companies who ship to the developing world. Thanks to extensive experience with global freight contracts for the world's premier humanitarian aid organizations, BDP provides door-to-door service to any destination no matter how remote, including shipments of relief cargo for ongoing programs, such as containers of donated food to Bujumbura, Burundi, door delivery of school kits to Kabul, Afghanistan, and electrical generators from Italy to peacekeepers in the Congo.

The company also develops action plans in the wake of natural as well as man-made disasters. After the tsunami of 2004, BDP managed diverse shipments by air and sea, dispatching full containers of blankets, shoes, food relief and medicines to Indonesia, Sri Lanka and India in post-tsunami recovery efforts.

According to Mitchell Judd, Director, Humanitarian Aid Services at BDP, the key is the ability to identify critical resources that can meet the specific challenges of each event. “Experience is everything,” he says. “While it is about contacts, it's not just *who* you know, but *where* you know them that often count. We handled a shipment for someone in Lubumbashi in the Congo to deliver to their door in Freetown, Sierra Leone. We were able to do that because of people we knew from our experience; the type of contacts you don't necessarily use or bump into on the commercial side.”

In many instances, Mitchell, together with Sarah Reynolds, Operations Manager, and his staff work with the American organization that is making the donation. “Often, we handle door-to-door delivery, through BDP offices or our agents anywhere in the world,” he says. “We work with many NGOs in the

“To be effective, while it helps to have contacts with UN agencies, it is important to be in a lot of countries yourself. You have to be truly global.”

Mitchell Judd, Director, BDP Humanitarian Aid Services

US, both non-denominational and faith based. We reach out to them and see if we can offer them our services. They follow up with a quotation request.”

It is seldom a need for rapid service—except after emergencies such as the hurricanes in the US in 2005, or the tsunami. While the NGOs generally select the recipients of the cargo, BDP occasionally helps NGOs get together. Mitchell had one organization in the US that had six container loads of canned food but no recipients, so he put them in touch with each other. “We coordinate with the US organizations and the

overseas BDP locations to make this happen,” he points out. “Recently, we forwarded the name of a supplier to the United Nations to our BDP office in Shanghai. They just received their first booking for some air cargo for the UN Population Fund (from Shanghai to Kabul). To be effective, while it helps to have contacts with UN agencies, it is important to be in a lot of countries yourself. You have to be truly global.”

The Humanitarian Aid unit frequently deals with BDP Transport's staff in Philadelphia, Mitchell says. “A couple of weeks ago we handled a container shipment for a faith-based organization in Minnesota to Arusha, Tanzania. They needed not only a good ocean freight price but also an agent to deliver it in country for them. Fortunately, we happen to know someone in Tanzania who we have worked with in the past. We also delivered six containers of donated food from a church organization in Pennsylvania to the door in Burundi using the same agent. It's not unusual for companies with overstocked catalog items to ask us to handle their donations. BDP India is becoming involved, too. Plus, one of our clients is setting up a warehouse in India because of the availability of generic drugs there.”

For Mitchell and his staff, 2005 was a relatively quieter year with fewer major disasters around the world. But he knows that there is no such thing as status quo. “The demand for what we're doing is increasing, and while we don't want to consider what could happen next, we are glad we're here to help so we can deal with the unexpected,” he says. “That's our role.” ☺

For more information on BDP's Humanitarian Aid Services, contact Mitchell Judd in New York, USA, at mjudd@bdpnet.com or (718) 244-1300 ext.45.

BIOMETRICS - PAY WITH YOUR FINGERPRINT

Citibank Singapore recently rolled out a new way for credit cardholders to make payments: using their fingerprints. *CIO* magazine says customers use the system by pressing a finger to a sensor at the cash register in outlets like coffee shops—the purchase amount registers to the corresponding Citibank account.

With an affluent, tech-knowledgeable population of 4.5 million, Singapore is a competitive market for credit card issuers. So far, the biometric payment systems are in place at only a few outlets but Citibank has plans to quickly expand the number. ☺



THE YIN AND YANG OF CHEMICAL LOGISTICS

Logistics Challenges of Sino-European Chemicals Trade

The following is excerpted from a recent edition of Business Forum China, a bi-monthly business magazine of the German Chamber of Commerce and Industry, which provides a comprehensive overview of all business in China. It was developed with the help of BDP staff in Europe, Asia and the USA.

China's third-largest industry, behind textiles and machinery, chemicals account for more than 10 percent of the country's GDP and nearly 40 percent of the growth in global demand. While the country has been dramatically increasing its production of chemicals, it remains in a net deficit position in the world market and is expected to be heavily dependent on imported materials for at least the next decade.

As a result, many European chemical companies are building plants in China to be closer to their customers, while maintaining their European operations to meet local demand. This situation poses special transportation and logistics challenges for both China and its Western trading partners. Any European chemical company intending to trade with Chinese companies or move production facilities to China should first have a thorough knowledge of the country's governmental and trade regulations. This is essential to avoiding delays in the construction of production plants, warehouses, and logistic terminals and in exporting project-related goods to China.

Sea and air shipments of chemicals and hazardous materials are subject to numerous restrictions, and should be handled only by an experienced specialist. In the absence of definitive national standards, however, most Chinese trucking companies and warehouse operators are naïve regarding the special handling requirements for hazardous materials, or rely on their own internal or local standards.

Capacity Challenges

This situation is further complicated by shortages of transport capacity and warehouse space. European chemical companies like British Petroleum and logistics service providers that specialise in hazmat handling are helping to educate China's chemical industry regarding the importance of standards, regulatory compliance, and avoiding dangerous, costly incidents. Notwithstanding these challenges, China is making

steady improvement in its business environment. Twenty years ago, the central government was so obsessed with attracting foreign investment, it did virtually no planning. However, 10 years ago it started centralising the manufacture of certain products in industry specific zones; the government is now addressing environmental issues, including reduction of chemical wastes.

Another challenge to European chemical companies doing business in China is infrastructure, both in terms of transportation and logistics support. The chemical industry, like others in China, is subject to infrastructure inadequacies and transport weaknesses that impact the production and delivery of both supplies and finished products. Moving goods over the country's many toll roads can make getting them to market a costly proposition. Trucking a 40-foot container from Beijing to Shanghai, for example, can cost as much as USD 400. The alternative is to battle endless congestion on non-toll roads.

Container Traffic

Turning to Europe, surging imports of consumer goods from China and other Asian nations have boosted container traffic by as much as 15 percent. Industry analysts say congestion will remain an issue without major investments in new terminals. While ocean container traffic will likely grow by an average of 9 percent a year between 2006 and 2010, planned terminal capacity will increase by only 5 percent.

Companies that use chemicals in the production of end-products for export to the EU should transport high-value goods via crossdocking operations to reduce lead times to the final consignee. The entire logistics process should be coordinated through a state-of-the-art information system which offers pre-alerts, tracking and tracing, as well as reporting functions. Moreover,

logistics service providers should have their own network of branch offices in Europe with opportunities for pre-carriage to final consignees. Only 3PLs and 4PLs with extensive chemical industry experience can offer truly unbiased selection of the optimal carrier mix, e.g. rail/road, combined traffic or block trains.

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Dominated until recently by a handful of large, state-owned enterprises, the Chinese logistics industry has undergone a rapid transition. The past decade has seen the emergence of both domestic and foreign 3PLs, and logistics has become a national priority as evidenced by dramatic infrastructure improvements in recent years. Today China is the world's largest manufacturing base and rapidly becoming the world's largest market. The logistics industry is critical to China's long-term economic growth and social stability. Logistics costs as a percent of GDP are roughly double what they are in the US, and to keep pace with its economy, logistics services must grow nearly three percent for every percentage point increase in GDP. The Chinese logistics industry, which tends to run high on cost and low on service quality, is still evolving.

Therefore, European and Chinese shippers alike would be well served to pick their logistics partners with an eye toward firms whose service portfolios are international in scope. However, it is important that they select only those firms with strong local expertise, supported by global command and control of information. ☺

RFID for airline baggage?

To help resolve the frustration of lost airline luggage, some are suggesting using RFID technology for tracking and identification. One idea is that travelers could purchase—for a nominal amount—an RFID tag that would uniquely identify their bags. Another is that if airlines were fully responsible for the value of the loss, they might be inclined to invest in the technology.

CHINA NOTES

Growth: Economy. Despite the tightening of its trade gap with the US and the gradual appreciation of the yuan, China's exports are forecast by global economics analyst *Global Insight* to grow at more than 20%, as reported in *The Journal of Commerce*. This is due in part to China not only becoming a bigger buyer of consumer products, but also because "China acts as a locomotive of growth for emerging markets" around the world. China's growing demand for raw materials has fueled a boom that has lifted raw materials prices in global markets.

Growth: Population. Concluding a three-year review of its controversial population policies, China says it has no choice but to continue controlling birth rates despite increasing population imbalances, says *The Wall Street Journal*. The government acknowledged its one-child policy will produce a surge in the number of single men and elderly; by 2020 there will be 30 million more men than women in the 20-45-year age group. The review states that the nation cannot support a population much larger than the current 1.3 billion and wants no more than 1.5 billion. The government wants to keep the birth rate at the current 1.8 children per woman. The restriction on births is applied more strictly on women living in cities.

What's the number one financial center?

Beijing will make a decision soon on which city is to be China's financial capital. Hong Kong and Shanghai are competing for that honor. While Shanghai is the traditional center of business life, Hong Kong, a special administrative region of China, has its own currency, the internationally convertible Hong Kong dollar (versus the Chinese yuan), giving it an "independent monetary system," which some insiders believe hurts its chances. It is no secret that the bigger picture is to become the premier financial center in Asia, putting the winner in competition with Tokyo and Singapore. Tokyo currently has the region's largest stock and bond markets; Singapore is the main center for oil and other energy products trading, as well as an important hub for currency trading.



TIGHTER SCREENING OF CONTAINERS INTO THE US

Within a few days US Customs and representatives of trade advisory committees will agree on the next level of security for containers shipped into the United States. This is a direct result of how few containers are actually being inspected by US Customs.

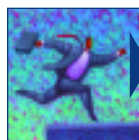
Because they cannot inspect 100 percent of the containers, Customs were told to improve their risk targeting analysis. Two years in the making and part of the Safe Port Act that was signed into law in November 2006, the new security rules are clinically known as "10+2" and are expected to be in force by the early fall. They will be mandatory for all imports into the US.

10+2 refers to the 10 additional cargo data elements that will be required from the importer and two from the carrier. Those key elements were selected from the literally thousands that are available. "This rule shows the increased demand for information earlier in the process," says Michael Ford, BDP's Vice President of Regulatory Compliance and Quality. "The push for the data has to move even

faster than the physical movement of the cargo; the goal is to get data well in advance of the physical movement and challenge the current business process to get at the Point of Origin."

Currently, the earliest that importers can make entry filings for a vessel order is five business days out. Now US Customs is about to ask importers to do a *security filing* prior to overseas loading on the vessel. "Data today is filed from the cargo manifest, which is known as the 24-hour rule," Ford adds. "This new security rule changes all of that. Importers now need to get those data elements earlier and into Customs' hands. Now companies will be asked to drive data down to the commodity level."

US Trade groups will submit an outline to Customs on Feb 14, after which Customs will develop a proposal of rule making, allow comments, and then issue a final rule, followed by a soft implementation. ☺



FASTER CARGO CLEARANCE

The year is 2007, so cargo filing for imports into the USA should be a cinch. Correct? It is, thanks to centralized cargo clearance capabilities.

Many shippers still send RFIs to brokers asking for imports profile data: how many offices do you have in the USA, where do you physically do import clearance; how many brokers in those offices; the activity levels of the offices?

Instead, shippers should ask, "Are you nationally permitted—can you handle my business and if so, where would you handle my business and how would it be handled?"

Nationally permitted is the key. A national permit allows a broker to centralize a team to handle a shipper's cargo anywhere it enters the US. Therefore, presenting a profile of brokers and activity per office doesn't mean anything for an RFI. For example, having "x" number of brokers in a Dallas office doesn't mean anything. While that may show how big a broker is, at the end of the day, it doesn't mean anything with regard to import clearance.

Instead, the process should be viewed through a centralized team. Shippers must ask, "Can the broker handle my activity? And if so, tell me which offices you are going to handle this through and then tell me about that office, how many years of experience they have, etc."

A better business process

BDP will centralize a customer's imports clearance and set up a team to provide the best resources to meet a client's needs. It doesn't matter how many offices BDP clears through or how many people. The only thing that matters is the office which is set up to handle the customer service for that account. A dedicated team that is focusing on the customer's business needs. That is how importers should be setting up their inbound processes. Brokers should be using Remote Location Filing (RLF) on behalf of their customers and it should be transparent to them.

RLF is the technology that drives the process that (continued on page 8)

COMPLIANCE BEST PRACTICES

Centralized or Decentralized Compliance?

By: Adrienne Graddy, BDP Director - Compliance Solutions

The third issue of *Gateway 2006* presented a comparison chart of a centralized compliance program model versus a decentralized compliance program model. Although compared, the models are not in competition. Many successful compliance programs contain elements of both models, taking into consideration the internal/external resources and influences, and their functions within the organization.

The Reasonable Care standard placed on all parties in the import transaction, both before *and* after entry of goods, requires a considerable number of best practices. To develop and maintain a successful compliance program, there are three crucial items to be incorporated; a high level of consistency, documented compliance manual (functional and in effect), and communication at all levels within the organization. BDP suggests the following suggested best practices:

Consistency

- How does your company interact with Customs and Border Protection?
- Who has the accountability within your organization for:
 - Following the Customs Regulations?
 - Knowing the terms of the transactions (Incoterms)?
 - Knowing the description, use, composition, & origin of the merchandise?
 - Entering the merchandise correctly?
 - Establishing ongoing procedures and policies to maintain compliance and detect/report violations?

Written Compliance Manual

- Utilize the Focused Assessment (FA) materials from CBP which provide a “model” manual and tailor your manual to your business and the needs of your company
- Brevity is best
- Segregate (if applicable) USA compliance versus global compliance and include country-specific guidance
- Areas requiring written procedures:
 - Classification
 - Valuation
 - Transfer pricing
 - Origin
 - Preferential duty programs such as free trade agreements, US goods returned
 - Customhouse brokers and participating government agency requirements such as Food and Drug Administration, Environmental Protection Agency, etc.
 - Communication protocol with Customs, other agencies (requests for information, protests, disclosures, visits, subpoenas etc.)
 - Samples
 - Supply chain and supply chain security
 - Internal coordination
 - Discovery of a possible error, root cause analysis and corrective action/follow-up

Communications

- Import/export personnel must have two-way communication with legal, accounting, tax, transport, product development, purchasing, research and development, receiving (all internal and external influences/resources)

Suggestions for post entry review and monitoring:

- Create checklist for inclusion in file to verify (at a minimum) classification, valuation, origin, quantity, supplier, related party transactions
- Value: periodically test proof of payment and payables; monitor assists, royalties; transfer price calculations; review freight costs, terms of sale (Incoterms)
- Review products for classification and country of origin marking
- Special program review: review rules for each program and current vendor information to confirm regional value content, etc.
- Awareness of new FTAs signed into law
- Post entry recordkeeping:
 - Set and communicate retention and storage policies
 - Monitor for adherence
 - Segregate records with unusual retention periods (drawback, dumping, etc.)
 - Review powers of attorney
 - Review bond documents/requirements

Additional Compliance Program Elements

- Be committed!
- Senior management buy-in and the “tone from the top”
- A program, or manual, that is not followed is just a roadmap to non-compliance
- Equipped/knowledgeable personnel who have organizational standing, access to perform mission, and ensure accountability
- Ongoing training—internal and external
- Provide for experienced compliance personnel for import/export (education, CHB, etc.)
- HTS, regulations, rulings database, Internet access, drawings/catalogs/company information
- Classification Database—perpetual or periodic database that matches part/style numbers to HTS reporting numbers
- Specific knowledge concerning FDA, preferential duty treatment, anti-dumping, temporary imports

A successful compliance program will lead to risk avoidance, as well as avoidance of steep penalties. It will also improve your bottom line when post entry reviews prevent overpayments, and it will allow you to take advantage of any of the multitude of free trade agreements which are on the increase. ☺

For more information on this topic, contact Adrienne Graddy, at agraddy@bdpnet.com or (847) 350-2156.



▶ IMPORTS RECORDS RETENTION (Or pray for lightning)

The US Customs Modernization Act defined the term “records” as “any information made or normally kept in the ordinary course of business.” Congressional hearings made it clear that intent of the Act was not to impose new record keeping requirements on importers but rather to require retention of ordinary business records maintained by that particular industry, and in addition, only records pertaining to:

- Importation and declaration at entry
- Transportation of merchandise into or from the United States
- Filing a drawback claim
- Completion of a Free Trade Agreement certificate of origin, and
- Collection and payment of fees and taxes

OK, so we do not have to build and maintain records just for Customs purposes. If we do not need it under generally accepted accounting practices, then we do not have to keep it.

Now, who has to keep records? Of course the Importer of Record must retain import records but also a person who orders merchandise from an importer may be required to produce records, if that person is the ultimate consignee of the shipment and in fact controls the importation. For example, if the city transit authority prepared detailed technical

specifications from which subway cars were manufactured, they would be subject to the requirements no matter which party was importer of record. On the other hand, if a company purchases ten Japanese automobiles from a dealer for use by

The general rule is that records must be kept for five years from date of entry, or five years from the date of the activity which required creation of the record.

their sales force, they would not be subject to record-keeping requirements.

The general rule is that records must be kept for five years from date of entry (including reconciliation entries), or five years from the date of the activity which required creation of the record. A common problem experienced by companies is that 19 CFR 163.5 requires that: “records must be kept as original records, whether paper or electronic, unless alternative storage methods have been adopted.” This phrase “original records” might trip you up. Does your company keep all records as originally received or are some original records transcribed into another format such as machine-readable data, CD-ROM, or

microfiche? If so, there goes your “original record.”

A company may use “alternative storage methods,” if a request is made and approval is received from CBP. To request approval, a detailed description of record-keeping procedures should be sent to the Director, Regulatory Audit Division, US Customs and Border Protection, 2001 Cross Beam Drive, Charlotte, NC 28217-2856. Include a statement describing your capability to make hard-copy reproductions of these records if requested by CBP.

You ask: What are the penalties if I cannot produce requested records? The statutory penalties (not regulatory) for willful failure to maintain, store or retrieve a demanded record may not exceed \$100,000 or 75 percent of the appraised value for each release of merchandise. For negligent failure to produce records, the penalty may not exceed \$10,000 or 40 percent of the appraised value.

The regulations state that a penalty may not be assessed if failure to produce a record was an act of God, so if you cannot produce that requested record...pray for lightning. ☁

For more information, please contact Adrienne Graddy, Director Compliance Solutions, at agraddy@bdpnet.com or (847) 350-2156, or any member of the BDP Corporate Regulatory Compliance Team.

MARKET BUZZ

Spotting counterfeits

In the North Sea port of Antwerp, Chris De Buyscher can look at thousands of 40-foot container units and pick out those most likely to contain fake Nikes, Marlboros, or Dior jackets, reports *The Wall Street Journal*. Mr. De Buyscher is regarded among his peers as the best counterfeit inspector in the world.

The global boom in counterfeit goods has De Buyscher very busy. In the past two years, tiny Belgium has seized about 40 million counterfeit items, the most taken by any nation in the European Union. And about 90% of those seizures came from De Buyscher’s three-person team policing the 22 miles of Antwerp docks, where roughly 15,000 containers pass through each day. While other ports use computers to review bills of lading for slip-ups, De Buyscher continues to do it manually. The difference he says is that he physically looks at the BoL, while the computers try to determine the likelihood of an error.

For example, a container billed as dark tea from Ningbo, China that had passed through Singapore raised several flags. “Boats from china usually go through Hong Kong,” he says. “Also, everybody knows the Indians make dark tea and the Chinese make green tea.” Inside were nine million Marlboros. Roughly half the container boxes that De Buyscher opens contain fakes, which is an astonishing ratio.

Opening and unloading a container can cost up to USD3,000 in labor and other costs. With 400 million containers in the world, a number that is growing by 9% a year, and a counterfeit industry that is estimated to be USD500 billion, European and American companies face a significant challenge as they relocate production to Asia.

Insuring High Value/High Risk Shipments

By Allan Kline, BDP Risk Manager - Transportation

High value cargo is considered to be any cargo with a value exceeding USD500,000. High risk cargo is any cargo that has an unfavorable loss experience which makes the risk less attractive to insure. For example, a shipment of general cargo (i.e., dry goods) from Europe to the USA with a value of USD500,000 may not be considered to be high value/high risk cargo because of the nature of the commodity and the geography involved in the move. Conversely, a USD500,000 shipment of computer chips from the USA to the Middle East may be considered high value and high risk because of the loss experience of high tech electronics and the geography of the move.

Are you prepared for a worst case scenario?

So the first thing to consider in offering insurance is what is the risk of loss in a worst case scenario and how likely is that risk to occur?

Another factor is how will the shipment be made? Underwriters look at the maximum potential loss, so if shipment of computers worth USD1 million is shipped in several containers, where the value of any one container is USD250,000, it is a more acceptable risk and probably would not require any special processing. Underwriters also look at the carrier's reputation, ports, and numerous other data to access the risk associated with a particular shipment.

Used commodities, fine art and antiques are almost always considered high risk even if the value of the cargo is relatively low. Items such as wine and spirits, cigarettes, cigars, also have the

questionable honor of being classed as high risk commodities in any amount and require pre-approval from the insurance underwriter before these commodities can be insured.

Used equipment presents particular challenges in that it is often very difficult to establish an acceptable value for items such as used farm equipment and used industrial machinery. Obviously there are surveyors and appraisers that can place a value on the item but this must be done prior to assigning insurance coverage. Frequently, to insure such items, the insurance company will require a survey, and will also require that the surveyor be present at loading and unloading. Because of the wide disparity in the valuation of used goods and the perceived risk, insurance companies may offer to insure only under FPA (Free of Particular Average) conditions, paying out only in the event of total loss, and also may further limit coverage to "port to port" moves, thus eliminating the risk associated with inland transport.

Even when high value goods are insurable, the underwriter may add conditions or exclusions of which the shipper must be made aware, such as circumstances under which the cargo will not be covered, or if any deductibles have been imposed as a condition of coverage.

When cargo is submitted to the underwriter "on application" the underwriter returns a quote with a rate that may be higher than our standard terms and with additional conditions. The quote must be communicated to the shipper or to the party insuring the cargo and if accepted the insurance company must be notified in writing of the acceptance or the coverage is not bound. Quotes generally expire within 30 days of the date of issue, but can be renewed if necessary by requesting the underwriter to do so. As with all legal issues it is best to handle it in writing or email so that a document exists in the

event of a future problem.

For "super high value" commodities, where the cargo being shipped exceeds the limits of the BDP open cargo policy, special coverage must be obtained in advance of accepting the shipment for transport. This applies to insured or uninsured shipments. For example, BDP's insurance policy has a USD5 million limit per occurrence, but a USD1 million limit per container. In the event that one container is valued at USD1.5 million and becomes a total loss, we would be exposed to a loss of USD500,000, which would be uninsured. For these super high value shipments contact BDP's Risk Management to arrange the necessary coverage and get a quote for the additional cost.

For questions regarding insurance on high value or high risk cargo contact your BDP representative. ☎

Gateway

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allows approved brokers to electronically file entries with US Customs from a location within the United States other than the port of arrival or location of examination. That means cargo entering the US at New York can be filed by someone in, say, Houston.

Customers only have to make one phone call to one office to communicate changes in processes, handle trouble points, follow-up activities, review reports, etc. A single point of contact, resulting in better, more efficient, effective communications—saving time and money. ☎



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