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BDP gateway

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Helping Global Shippers Navigate The Value Chain

IN THIS ISSUE

COMMENTARY

Who's afraid of the brave new world of outsourcing?

The list of job types moving overseas grows each month. Blue collar, white collar and even no collar professions are affected. Computer programming, software architecture, engineering, help desks, service centers and other business units that rely on the use of telecommunications are in the forefront of the surge in offshore outsourcing. Even the accounting and legal professions are noticing the effects.

Outsourcing is not new. As inclined as Americans are to fads, this is not one of them. In fact, shipping service sector duties of U.S. corporations overseas has occurred for years. Two decades ago, insurance claims workers in Ireland were handling processing for a major U.S. health insurer long before it became a trend. And a leading credit card company set up back-office operations in India more than ten years ago. Lower costs within a skilled labor market

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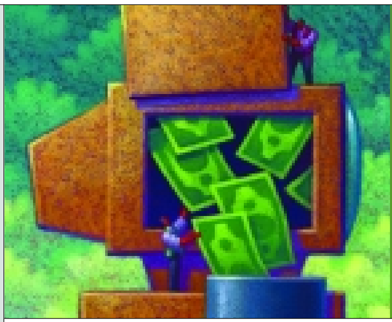

Great IT is more than great IT

Business-technology executives agree that deploying the right technology in concert with changes in management policies is the most effective strategy for decreasing business expenses, growing revenue, and improving productivity. So says a recent *InformationWeek* research study.

The *Harvard Business Review* also weighs in with its principles for effectively executing IT: a long-term plan linked to corporate strategy, a simplified, unifying corporate technology platform (instead of disparate data silos), and a highly functional, performance-oriented IT organization that works as a company team member, and not treated as a separate, almost disengaged entity.

Meanwhile, according to Gartner Research, the average business wastes as much as 20 percent of its corporate IT budget on purchases that fail to achieve their objectives. "If that's true, it is not a failure of IT but rather a failure of management," says BDP President, Richard Bolte, Jr.

While seemingly good business cases were delivered (to CEOs and CFOs) four or five years ago to invest in technology, many have not fully delivered the promised return on investment. And with today's software more robust and adaptive, the natural inclination might be for shippers to want to purchase the latest.

"Not so fast, says Bolte. At BDP, we have tracked a trend in which shippers are looking outside their own companies for that IT infrastructure.

"The stakes are now pretty high," adds Jennifer Gold, BDP's Director of Project Management & Business Analysis. "It's not just driving a few pennies out of the transportation budget any more," she told *World Trade* magazine. Companies that formerly focused on shaving dollars from transportation costs now need to concentrate on functionality and follow more stringent trade rules more than ever before, Gold told the publication.

A company's technology vision should be part and parcel with its business strategy.

"Shippers certainly need to increase collaboration with their third-party logistics providers, so long as the forwarders have the expertise and resources. Some technologies are going to have to change fundamentally," Gold pointed out. "The Enterprise Resource Planning (ERP) systems that companies have implemented over the years won't necessarily provide the information and timing cycle government agencies will demand. That drives companies to implement global, integrated, fully connected, web-based technology to better manage supply chain information within their operations."

A company's technology vision should be part and parcel with its business strategy, emphasizes Bolte. For that vision to be successful, he says, companies must: intimately understand their customers; champion the IT mission

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Who's afraid of the brave new world of outsourcing?

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and the desire to be competitive were the primary reasons for tapping international workers then, just as they are today.

So, why is outsourcing, or offshoring, a hotter issue now? Given that the world is shrinking, as globalization permeates corporate structures everywhere, isn't it natural that company executives should seek the best ways to make their companies as successful as possible?

An open, fully global market economy is the surest way to move from pockets of prosperity to a more widespread, democratic sharing of wealth. The answer to the frequently asked question of, "Whose prosperity are we really talking about?"—as outsourcing takes place—is actually very straightforward. Because wealth gratification can be defined at an almost infinite number of levels due to each individual's needs and desires, everyone can benefit—domestically and around the world. We just have to do a better job of balancing where our role as citizens of countries ends and our responsibility as global citizens begins.

Closing the door to an open economy only locks all of us out of longer-term opportunities.

Those protective walls erected to defend our "rights" can just as easily become barriers. In the business world, the turf of nations is evolving into an undivided common land, geared to free trade, where everyone can share in economic growth. Interestingly, it is a concept that goes back nearly a millennium: recognizing that individual rights and the greater community really can co-exist. This, in turn, fosters a greater need for more and better education for more people, many of whom would have never had the opportunity.

Also, as more people become participants in the global community, the natural progression of marketplace supply and demand will begin to affect those offshore workers, too. Already, in countries such as India, the playing field has begun to become more level, as owners of companies must now increase the compensation of their higher-quality employees, simply to retain them. TPI, an outsourcing advisory firm, stated that the total value of business process outsourcing agreements in the U.S. actually fell by 32 percent last year. In fact, a number of companies that originally moved jobs overseas have brought those same jobs back to the U.S.

Unfortunately, the "we" versus "they" argument has taken hold in the media, through organized labor, and within many of the companies themselves. Labels are being attached to members of each camp: anti-outsourcing supporters are branded "protectionist," while pro-outsourcing advocates are pilloried as "soulless" and "uncaring."

It is not a question of who is right or wrong, or of partisan politics. It's basic economics, as well as one more step in the logical evolution of business practices. Hand wringing over corporate Darwinism isn't going to cut it anymore. Instead, we should concentrate on continuing to improve levels of education—in the business place as well as on the campus—so that we can facilitate a competitive environment and nurture the growth of high-value jobs. Such jobs will enable Americans to maximize creativity, which has always been the nation's greatest asset. Entrepreneurs and the availability of capital continue to be the growth engines that fuel the U.S. economy, because today's small businesses could be tomorrow's powerhouses. Closing the door to an open economy only locks workers out of longer-term benefits.

We cannot afford to become insular—in the current and future business environment the isolationist is clearly out of step with the rest of the world. The day we begin to look over our shoulder instead of seeking the opportunities on the horizon is the day we should turn off the lights and cease to dream.

Richard Bolte, Jr. - BDP President

Slamming spam

Recent studies show that spam accounts for 43 percent of inbound messages in small companies, 37 percent in midsize companies, and 36 percent in large companies. Over 80 percent saw spam increasing monthly, with the rate of increase at a whopping 37 percent per month. Fortunately, many companies are considering or have begun to implement content-filtering or anti-spam software. However, these filters are not completely foolproof, sometimes allowing creative spam to reach its destination and occasionally filtering genuine business communications.

The cost of spam: A study by the **Radicati** Group says an organization with 10,265 employees that does not use spam filtering loses $2,923.20 per user per year, or a total of $30 million annually, in terms of e-mail productivity. The survey of 15 businesses, representing 155,375 users, indicates that after adopting anti-spam technology, the average company reduced its annual loss to $4.8 million.

Are you a spammer?

Companies should use e-mail communications prudently. The federal anti-spam law can lead to some tough penalties for non-compliance. ***Infoworld*** reports that during a random sampling of commercial e-mail, 44 percent of those materials failed to meet the government's CAN-SPAM (Controlling the Assault of Non-Solicited Pornography and Marketing) law.

Business-process outsourcing

Customers can save from 15-40 percent through business-process outsourcing (BPO), across a wide spectrum of back-office and customer-facing functions, according to an ***InformationWeek*** article. However, it also says that savings alone rarely justify the effort—quality has to meet or exceed what customers could achieve with their own employees.

RFID: critical technology or hype with no hope?

What should your company do?

RFID (radio frequency identification) technology is not a newcomer to the business scene: it has been used for a number of years in applications for rail vehicle tracking, factory automation, and anti-theft systems. RFID uses radio frequency waves to transfer data between a reader and a moveable item. It can identify the location and characteristics of items without the need to physically see them.

Questions abound as to how this technology will fit within the overall supply chain. "Does my company need it, and if so, where should we apply it?" is probably the number one issue. At the end of the day, it is an individual company decision as to whether or not it is another important business tool. RFID not only provides two-way communications and storage capabilities compared with one-way for bar codes, it is also reusable and acts as a theft deterrent. Instead of relying on line of sight, RFID is dependent on range, regardless of what is between the item and the reader. In the business world, Wal-Mart and the U.S. Department of Defense have taken the most aggressive steps so far. Wal-Mart is demanding that its top 100 suppliers meet a January 2005 deadline for tagging pallets and cases. The goal is to continue to drive efficiencies within its supply chain through reduced labor in shipping, receiving, and better control of inventories, as well as reduced stock-outs.

"Real-world" pharmaceutical pilots by Johnson & Johnson, CVS, and McKesson are being designed to iron out kinks in their supply chains by testing mis-ships, non-compliant products, and new product introductions. Maersk is implementing seal and asset administration RFID to provide deeper levels of visibility to customers and internal operations. It sees its benefits as consistent monitoring for container security and integrity via instant notification of container/seal breach, container history and audit trail, "virtual" inspection prior to arrival in order to speed up the supply chain, and timely asset tracking. Gillette and Michelin are testing item-level tagging, Metro is piloting a future store. The public and government sectors also are weighing in, including NATO with its management and tracking of multi-national shipments, and the U.S. Dept. of Defense, which is tagging cases and pallets with its more than 40,000 suppliers.

However, for those companies with extensive bar code systems, such as FedEx, switching to RFID is not particularly appealing. While currently using RFID technology on a limited basis, it has no plans to eliminate its bar code capabilities, preferring a wait-and-see approach for the near term. One of the issues is, of course, cost—RFID tags cost between 20-50 cents (down from several dollars), while bar codes each cost a fraction of a penny. In addition, some point to double-digit read-error rates for RFID, sometimes as high as 20 percent, when readers, tags, and their environment are not properly controlled.

Rather than say, "The technology is not ready for my business," ask "Why are we not ready for this technology?"

Assess your supply chain readiness

Before implementing ANY changes to your supply chain, regardless of the type of planned improvement, it is important to know your company's strategy, business processes, as well as the capabilities of the people, information, and infrastructure elements. At the one end of the readiness scale is the people-enabled approach, based on an internal pyramid structure, which is driven by cost and efficiency only, operates through functional silos, whose staff are subject matter experts, and has islands of information.

At the other end of the scale is the ***information-enabled organization***, which:

- Relies on its agility and flexibility as a source of competitive advantage
- Has a flexible, end-to-end integration approach to its business process
- Ensures its people are fully supply chain trained and process-focused
- Operates through information technology that is fully electronic commerce enabled
- Has a virtual supply chain structure for optimum response to the marketplace

Four key steps

When reviewing your company's potential RFID needs, it is important to keep the following in mind.

1. Set goals and measure results

- Be realistic about costs and savings
- Strive for competitive advantage but don't let it slow you down
- Understand that all the benefits may not be in your supply chain
- Take it one step at a time: Business analysis, Pilot, Business case, Implementation

2. Maintain flexibility and options

- Test selected technologies and communications to ensure their compatibility with existing infrastructure
- Understand that you WILL manage parallel systems
- Test with trading partners
- Build in flexibility to change, grow, change, expand, and change
- Be diligent with your technology partners

3. Assess your data capabilities

- Ensure you have complete data synchronization efforts
- Understand the move to standardize commercial and technical formats and data
- Adopt and subscribe to appropriate standards
- Understand that bad base data will be the end of any project
- Be prepared for the open fire hydrant

4. It's more than technology

- People spend more time talking about how the chip is used than its benefits
- Technology-driven initiatives are doomed to fail without a strong business case
- Reengineering WILL occur: be prepared
- Be prepared to adapt to take advantage of new data

Remember, when considering RFID for your company, think strategically. Rather than say, "The technology is not ready for my business," ask "Why are we not ready for this technology?" If you control the scope of your activities during the development and implementation stages, you control the results. Be sure to staff for success because people ultimately control the destiny of what you're doing.

For more information, contact Yone Dewberry, Managing Director, Centrx at ydewberry@bdpnet.com, or 215-629-8410. (Centrx is an independent unit of BDP International, providing global solutions through the integration of people, processes, and technology.)

Correctly classifying your export goods can save you time and money

Every year over 8,000 different product classifications are exported from the United States to other countries. Setting up your classification number in advance of your shipment will save time and effort, as well as help establish a best practice assuring consistency of your product descriptions.

Presently in the U.S., as a U.S. Exporter, you have two options for product classification on your shipper export declaration: the Schedule-B number (administered by the Census Bureau) or the Harmonized Tariff System (administered by USITC, the United States International Trade Commission).

All goods that are exported are assigned a unique 10-digit identification code. Every 10-digit item is part of a series of progressively broader product categories. For example, concentrated frozen apple juice is assigned a 10-digit identifier that is aggregated into a broader category assigned a 6-digit identifier described as apple juice. The 6-digit identifier described as apple juice is aggregated into a broader category assigned a 4-digit identifier described as fruit juices and vegetable juices, etc. The 4-digit identifier is further aggregated into a broader category assigned a 2-digit identifier described as preparations of vegetables, fruit, nuts, etc.

Differences between Export and import codes

What are the differences between the Schedule B codes (for exports) and the Harmonized Tariff Schedule (HTS) codes (for imports)? All of the imports and export codes used by the United States are based on the Harmonized Tariff System (HTS). The HTS assigns 6-digit codes for general categories. Countries that use the HTS are allowed to define commodities at a more detailed level than 6-digits, but all definitions must be within that 6-digit framework.

The U.S. defines products using 10-digit HTS codes websites for U.S. import and export HTS codes:

- Export (Schedule B, administered by U.S. Census)
- Import (HTS, administered by USITC)

Harmonized Tariff Schedule of the United States Annotated

The USITC Office of Tariff Affairs and Trade Agreements is responsible for publishing the *Harmonized Tariff Schedule of the United States Annotated* (HTSA). The HTSA provides the applicable tariff rates and statistical categories for all merchandise imported into the United States; it is based on the international Harmonized System, the global classification system that is used to describe most world trade in goods.

Although the USITC publishes and maintains the HTSA in its various forms, the U.S. Customs Service is the only agency that can provide legally binding advice or rulings on classification of imports.

The U.S. department of Commerce also administers an additional code that will identify cargo for U.S. Export Control purposes, called a ECCN (Export Commodity Control Number), also known as CCL (Commodity Control List). This classification is designed to describe the type of goods that is being exported, the reason for control, and how the control is administered. This extended series of numbers will provide additional descriptive information to the U.S. Government so that functional knowledge of the cargo is known to the government agency that has issued the control.

Your choice of using a schedule B number or a HTS number to classify your export goods is a decision that you can make freely—one number does not overrule another. What is important in the decision-making process is to choose the option that best fits your commodity description, provides the information to the parties that file the information on your behalf, and is consistent with the same number each and every time you send that commodity out for export.

C-TPAT screening for employees

On January 1, 2004, BDP implemented an enhanced screening process for U.S. job applicants in a continuing effort to integrate best practices set forth by the Bureau of Customs and Border Protection's (CBP) Customs-Trade Partnership Against Terrorism (C-TPAT). BDP will conduct criminal background checks, require residency information for the past seven years, and perform comprehensive job reference reviews for all applicants to whom it plans to extend offers of employment.

"C-TPAT is one of the rules of doing international business in the 21st century," said BDP President Richard J. Bolte, Jr. "Building enhanced standards for employee hiring is a matter of taking the detailed security plan BDP established in concert with C-TPAT, and bringing policies into daily practice. The cost associated with conducting more assertive research of job candidates is an investment, which in due course will yield continuous improvement in BDP's single most important customer service asset, its employees. Workforce quality and security are not mutually exclusive, they are intimately linked."

Candidates for employment at BDP will be screened for both misdemeanors and felonies at the county, state and federal levels. To date, the company has conducted such checks in collaboration with its customers for which BDP employees are working on site. BDP is deploying the new hiring policies at its 22 operations in the U.S. These procedures will also be recommended as best practices to the company's Global Network of subsidiaries, joint ventures and affiliates in approximately 140 countries, subject to local laws and regulations.

BDP was certified as a member of C-TPAT, based on the CBP's review of the company's extensive supply chain security profile commitment. The company applied for full participation under the program in August of 2002, making it one of the first third-party logistics (3PL) firms in North America to do so.

Great IT is more than great IT

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through executive management support; get business process ownership and buy-in from operations staff; select the right partners, through collaboration and even "co-opetition;" and although it may sound obvious, *execute, execute, execute*.

What's best for the customer is best for everyone

As business and industry factors drive the need for change, shippers, carriers, NVOs, and transportation and logistics companies must adapt. Although there is an increasing level of cooperation and partnering between the various entities, there remains plenty of room for improvement. Often, it is a question of, "Who is going to make the first move?"

Bolte says that same old way of doing things isn't going to cut it any more. Regulatory issues, global supply chain pressures, and business integration strategy needs are all driving change. How quickly and how well a company adapts is critical. There is an expanding need for visible knowledge earlier in the process horizon. "Our clients need to know more than the confirmation of a delay," he says. "That's yesterday's news. Today, it's about decision support, information that interprets and enables plan or sourcing adjustments, which keep supply chain velocity intact."

There is an expanding need for visible knowledge earlier in the process horizon.

Everyone wants to reduce costs: whether it is error and rework reductions, cycle time and inventory reductions, or reducing documentation distribution and communication costs. "There is a huge amount of rework being handled today," says Gold, "causing additional expense for companies. In many instances, companies need more upfront planning data, so that the downstream execution can be as flawless as possible. Increasingly, our customers really drive the course we take with our technology enhancements."

Regulatory changes

It is no surprise that companies need more accurate and timely information, as well as faster access to that information. New security regulations and profiling requirements embodied in the Trade Act of 2002 and other advanced cargo information rules reflect the proverbial tip of the iceberg of change drivers.

"As government agencies worldwide automate their systems so, too, must trade, over time," says Michael Ford, BDP Vice President for Regulatory Affairs. "For Customs brokers and freight forwarders serving U.S. trade, one of the biggest challenges of 2004 will be the U.S. Bureau of Customs and Border Protection's (CBP) Automated Commercial Environment (ACE). In its drive to bundle single access to data for all government agencies, it's no longer a question of "if," but "when?" And, for those who think the status quo will be good enough, the cost of non-compliance will carry a heavy toll: increased cycle times, delayed shipments, increased costs *and* penalties, and lost customers.

Global supply chain pressures

True end-to-end visibility—getting data and status information from each player in the supply chain—is a real challenge. To get anywhere close to success requires collaboration, execution, planning visibility, velocity and adaptiveness. Companies can't be isolationist in today's business environment. The fact is, supply chains compete with other supply chains. Although there is competition or even "co-opetition" with other companies, you still have to decide how to partner where it makes sense.

Benefits of collaboration: There are lots of players in the typical supply chain, Gold points out. "No single entity can capture every piece of information. But shippers need information at every step—from origin to ultimate destination—to wring costs and compete more effectively. Until recently, companies have been more focused on the ocean leg, paying less attention to other nodes in the overall process. There can be numerous transshipment activities in the process, and some are difficult to identify. For example, there are transportation steps of which companies are less aware of, such as barge runs, making it difficult to obtain any data, let alone reliable data. Because it is a costly proposition to capture all relevant data, it makes more sense for all parties involved in the transportation process to share their information and therefore share the cost.

Execution visibility versus planning visibility: Execution visibility is, "Where is my shipment right now?" Planning visibility is, "I want to better understand the specific routing decisions of the carrier," so that when I send over my initial booking it is more accurate from a routing point of view because that will streamline the process downstream.

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Global Rate Inquiry

BDP*Xpedion* is a web-based, unified operating infrastructure platform, accessible to customers, partners, as well as BDP staff, through BDP*Customer.com*, BDP's portal. Users can tap into order planning, logistics planning, shipment status, global regulatory compliance issues, operational and historical analytics, master data management, and content management.

Recently, a new feature was introduced, a Global Rate Inquiry (RIQ). The RIQ application allows real-time Internet access to rating and high-level routing information on an inquiry basis. Users can enter a subset of shipping information to retrieve shipping options containing transportation (buy-side) rates, service times, and high-level routing information. Currently, RIQ provides options containing transportation costs and estimated service times for:

- Port rates for specific carriers
- Rail ramp rates for specific carriers
- Door rates for specific contracted ocean carriers
- City rates for specific contracted carriers

Upcoming 2004 releases will continue to provide both functional enhancements and expanded sets of carrier contract rate data, including preferred carriers capability, as well as special and other charges.

The changing face of Customs in the new EU

Security for the global transportation of goods

With the European Union's (EU) membership at 25, and growing—10 countries were admitted on May 1, 2004—the EU's organizational role in global trade expands each year. So does its security concerns for all shipping moving in and out of and within EU borders.

When eight EU members signed on to the Container Security Initiative (CSI), which was implemented by the U.S. in April 2002, many countries within the EU expressed concern that the new measures would have a negative effect on trade flow as well as distort competition between EU ports. (CSI establishes security criteria for identifying high-risk containers based on advance information, and pre-screens containers at the earliest possible point. Screening is done by teams of Customs and Border Protection officials working with their host nation counterparts.)

However, understanding that sea and air transportation security for vessels and ports is a global challenge requiring global cooperation, a decision was made within the EU to work with the U.S. on a cooperative basis, leading to agreements in March and November 2003 to include transport security cooperation within the scope of the existing EC-U.S. Customs Cooperation and Mutual Assistance Agreement, the formal adoption of which took place in April 2004 in Washington D.C.

By developing its own version of the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) program the EU is moving toward revising its Community Customs Code to support international efforts to improve security, as it supports the development of a common framework to combat terrorism, and share responsibilities with U.S. Customs. Its proposed Summary Declaration is designed for pre-arrival and pre-departure information, which must be provided before goods are presented to EU Customs. The goal is to create a paperless communications environment between Customs and shippers, based on a single window standardized approach for data, benefiting pre-approved shippers.

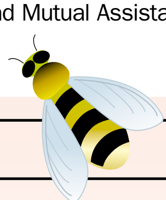
Two working groups were established following the agreement this April: one to cover security standards, the other to focus on trade partnerships. Their shared goal is to define the operational elements that include risk selection criteria, control methods, and use of inspection equipment.

Excerpted from a presentation given in April 2004 by Christopher Ross on behalf of the Delegation of the European Commission in Washington D.C.

Latin America and EU talk trade

As U.S. companies continue to build infrastructures throughout Latin America, the warmth that once surrounded free-trade talks between the two geographic areas has turned noticeably colder. To further complicate the process, the Mercosur trade bloc has already begun separate negotiations with the European Union. Mercosur, known as the "Common Market of the South," is a Customs association of more than 200 million people in Brazil, Argentina, Paraguay, and Uruguay. In addition, Bolivia, Colombia, Chile, Peru and Venezuela are associated with the bloc, and Mexico has also shown interest in joining the group.

Negotiations for the FreeTrade Area of the Americas, which would create the world's largest free-trade zone, have significantly slowed down, in part over U.S. subsidy programs for farmers. The EU, however, has indicated a willingness to compromise in certain areas, further opening the door to a Latin America-EU agreement. One of the proposals would, within 10 years, make 91 percent of Mercosur exports free of tariffs upon entering Europe. Brazil and Argentina are two of the world's largest commodities exporters.



MARKET BUZZ

Ineffective supply chains: ***The Journal of Commerce*** reported recently more than 50 percent of business leaders surveyed stated that their corporate strategy and operating plans are not very integrated, with only two percent saying they are very integrated. Biggest problems were accurately forecasting demand, blurred lines of responsibility, and spotty information about inventory levels. The major causes of those problems are linked to internal silos, technology, and weak collaboration with suppliers and partners.

Recovering data: A recent study of companies with complex supply chains, such as consumer products makers and retailers, by ***Ernst & Young*** found that when it comes to business continuity, companies pay more attention to their data than to their operations, says ***CIO*** magazine. While most respondents have established testing procedures to ensure their data (names, addresses, SKUs) are backed up, far fewer have tested the continuity of their supply chain operations (inventory, warehousing, and logistics). While backing up data is a longstanding no-brainer in IT, executives seldom think about the processes and failures that fall outside of IT's scope. Plus, the supply chain's frequently shared approach to ownership—IT, logistics, and other areas—makes determining responsibility tougher.

Bad data: More than a quarter of critical data within large companies is flawed, according to ***Gartner Research***. Problems include data entry, incompatible disk formats, conflicting data definitions, and inconsistent compilation of data across divisions. Poor quality data is causing many customer relationship management, business intelligence, and B2B initiatives to fail.

Importer self-assessment (ISA) policy changes

Effective March 1, 2004, importers who have been notified by Customs & Border Protection that they are Focused Assessment ("FA") candidates may no longer apply for Importer Self-Assessment ("ISA") membership to postpone initiation of an FA audit. A prerequisite for ISA eligibility, since its inception approximately two years ago, has been C-TPAT certification and acceptance by CBP. Under the certification process, CBP reviews and approves the applicant's Supply Chain Security Profile Questionnaire. A C-TPAT Validation is conducted by CBP after certification to review and validate the accuracy of the certified partner's security practices and procedures as set forth in the party's Supply Chain Security Profile Questionnaire. C-TPAT Validation occurs after C-TPAT Certification and is not a prerequisite for ISA eligibility.

CBP decided internally to implement the policy change due to an increasing number of FA candidates rushing to apply for the C-TPAT certification program in an effort to remove themselves from the FA pool. Many FA candidates failed to timely submit their C-TPAT Supply Chain Security Profile Questionnaire. A CBP spokesman acknowledged that if a FA candidate had submitted a C-TPAT Supply Chain Security Profile Questionnaire to CBP in a timely manner, prior to submitting its ISA application, it was likely that the importer's ISA application would be considered.

Any potential FA candidates who plan to apply for ISA membership should be aware of this important policy change. If your company has not yet joined C-TPAT and/or submitted a C-TPAT Supply Chain Security Profile Questionnaire to CBP, we recommend that you immediately address the status of your C-TPAT participation. CBP will be updating its website to reflect this change to the ISA program.

Questions or assistance on either the Focused Assessment, Importer Self-Assessment or C-TPAT initiatives can be addressed to Adrienne Graddy, BDP Director Compliance Solutions at: 847-655-2032, or agraddy@bdpnet.com.

Increased security for air cargo

The Transportation Security Administration (TSA) has issued a policy directive that provides sanction guidance for imposing civil penalties for violations of its security regulations by aircraft operators, airport operators, and indirect air carriers (IACs, including freight forwarders), when a determination is made that civil penalty enforcement action should be taken. According to TSA, the purpose of this guidance is to assist, not replace, the exercise of prosecutorial judgment in determining the appropriate civil penalty in a particular case.

Minimum, moderate, and maximum civil penalties for IAC Violations are planned. With respect to a single violation committed by IACs, the TSA states that the following civil penalty ranges may apply: minimum ($1,000-$2,999), moderate ($3,000-$5,999), maximum ($6,000-$10,000).

These new policy directives will cause TSA to step up their current inspection rates of all cargo that is being tendered to all air carriers. Therefore, possible delays could occur of cargo that is loaded on board the proper flight but which does not meet the guidelines. So, watch out for delays of cargo that move via the air process. TSA said the directives should not be confused with permanent regulations.

Exporters say BIS penalties are too steep

Violating the U.S. export-administration laws can be costly—in fact, too costly say some exporters in a report by the ***Journal of Commerce.*** Export-administration regulations are meant to restrict the export of goods that could be converted for military or terrorist use.

Although the enforcer of the regs, the Commerce Department's Bureau of Industry and Security (BIS), states that companies that voluntarily report their violations can expect lower fines than those who do not, a number of critics have said that the BIS is still levying unusually high fines against firms that come forward and admit their violations.

In fact, of the settlements completed so far, this year, companies that voluntarily disclosed violations seemed to pay substantially higher penalties than non-disclosers, an apparent contradiction of penalty guidelines issued earlier this year. Plus, there appear to be fewer warnings of potential fines to companies.

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Arnie Bornstein, Director
Marketing & Corporate Communications
BDP International, Inc.
World Headquarters
510 Walnut Street
Philadelphia, PA 19106, U.S.A.
215.629.8493 or abornstein@bdpnet.com

Editorial Advisors: Michael Ford – Regulatory Compliance and Quality; Jennifer Gold – Information Technology.

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Demand more: The drive for greater and greater velocity demands that data move at real-time or near real-time speed. "Velocity is becoming an ever more demanding constant in the global trade environment," says Gold. "Security, progress, and competition are ensuring that information is moving faster than ever before. To remain competitive, shippers must work more closely with and demand more out of their forwarders, and forwarders must demand more of themselves."

Adaptiveness requires building flexibility into the platform. Not easy but very important because new technology must give users the capacity to move more quickly.

Business integration strategy

Companies must develop creative approaches to the business process. Although integration is a necessary part of the solution, it is not sufficient. A solid business process must be in place before a company decides to integrate.

Old legacy systems and technology simply cannot handle the scope or the pace of change, which is why many global organizations are moving to an integrated technology platform that can connect shippers, partners, resources, as well as anyone else who can bring value and visibility to the business process. An example of such a platform is BDP*Xpedion*, a web-based, unified operating infrastructure, accessible to BDP staff, customers, and partners through BDP*Customer.com*, BDP's portal. *Xpedion* supports a global standardization of business processes—both operational and back-office.

"Not adapting swiftly can result in lost business and revenue, delayed shipments, an increase in service issues, higher costs of doing business, and unhappy customers," emphasizes Gold. "It's a new ballgame, not only for those who have not participated globally before," she says, "but it's also even a challenge for major multi-national shippers."

Additional security measures for foreign travelers to the U.S.

The Dept. of Homeland Security is expanding its test program of digital finger scans, digital pictures, and document reviews of foreign travelers. The U.S. Visitor and Immigration Status Indicator Technology program, which is being tested at 115 airports and 14 ship terminals, will be implemented at all points of entry and exit throughout the U.S.

How important is E-readiness?

Once the undisputed leader in web usage, the U.S. has slipped to sixth place in terms of E-readiness in a ranking of 50 developed countries, says ***InformationWeek***, citing a study by the ***Economist Intelligence Unit*** of the ***Economist*** magazine. E-readiness measures the condition of a nation's e-business to determine how open it is to Internet opportunities. Factors include: technology infrastructure, general business environment, the degree to which e-business is being adopted, social and culture conditions that influence Internet usage, and the availability of services to support e-businesses.

The U.S. was number one during the first three years after the ranking was launched in 2000. It lost that position to Sweden in 2003, falling to third place. It's not that U.S. Internet use is in decline—it isn't—but other countries are making bigger strides. For instance, the study gives strong marks to nations that adopt broadband. The U.S. continues to have a large base of dial-up users.

The top ten in order of ranking are: Denmark, U.K., Sweden, Norway, Finland, U.S., Singapore, Netherlands, Hong Kong, and Switzerland.

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BDP INTERNATIONAL

www.bdpinternational.com

BDP International
World Headquarters
510 Walnut Street
Philadelphia, PA 19106
U.S.A.