

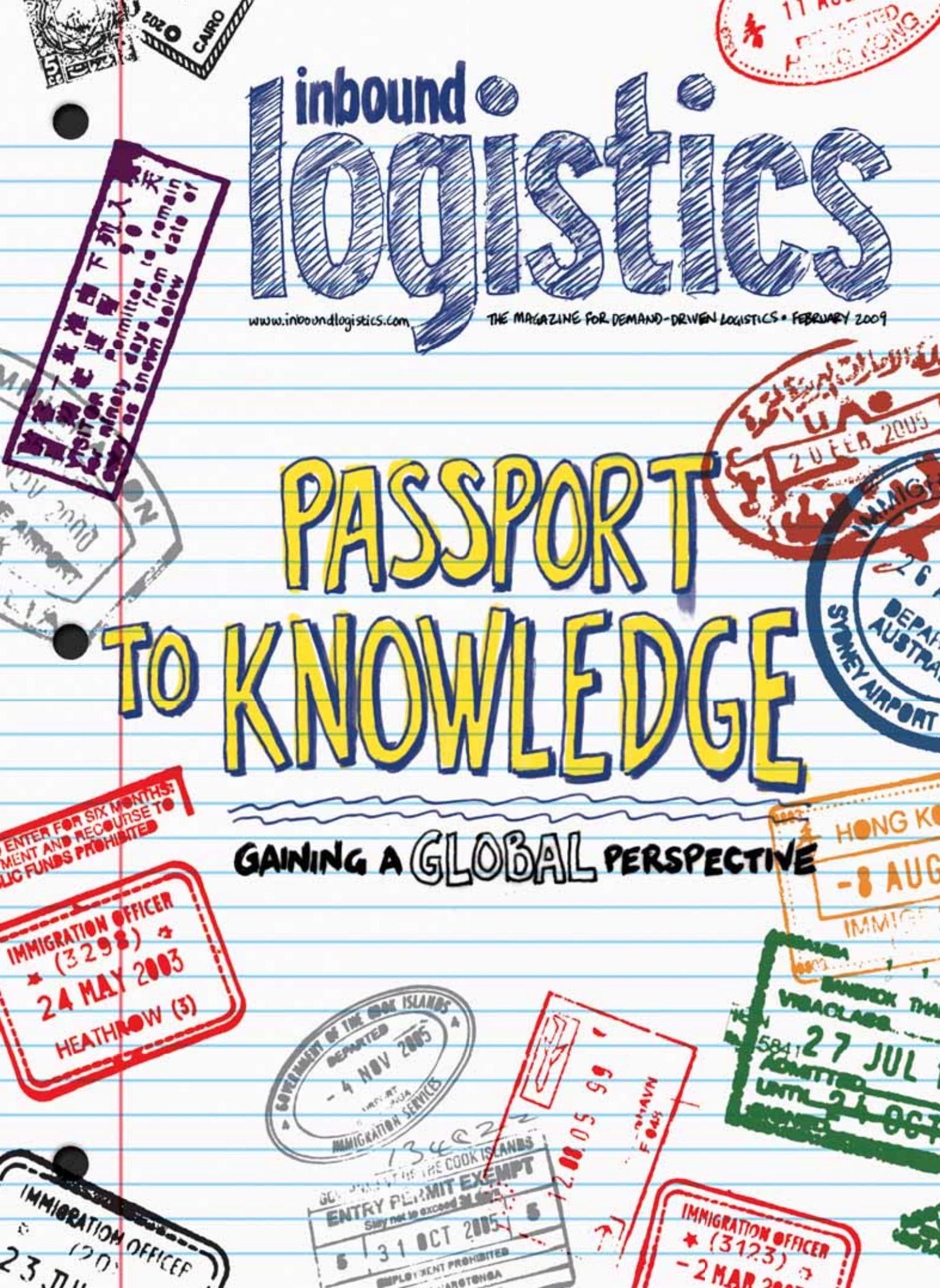
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THE MAGAZINE FOR DEMAND-DRIVEN LOGISTICS • FEBRUARY 2009

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THE MAGAZINE FOR DEMAND DRIVEN LOGISTICS

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CHECKING IN

Felecia Stratton

by Felecia Stratton | Editor



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A New World of Logistics Enlightenment

Our annual education issue honors the importance and value of logistics education. Acing logistics basics helps practitioners master supply chain complexity. It's practical to the core and strategic when it needs to be. But it isn't static. The challenges of globalization continue to present new ways and means to engage learning.

In this sense, history serves a welcome lesson. Following Europe's Renaissance it was common practice for affluent young men to travel the continent and visit its centers of excellence. The Grand Tour was a means for embracing literature, history, language, and culture in one fell swoop. In return, these tourists gained a greater appreciation for the liberal arts and a year's credit toward cultural and political hegemony. Their career path was destined.

Alternatively, those less privileged entered into apprenticeships to learn a skilled trade. These mentored relationships provided practical, nuts-and-bolts skill sets, on-the-job training, and an unwavering path toward a specific vocation.

While class structures have changed, there is a similar dichotomy in how we approach education today. Vocational studies such as logistics and supply chain management are pragmatic; they place value on thought and action rather than simply thought. Conversely, a liberal dose of the humanities offers an ephemeral, "touch and feel" introduction to multiple areas of study—a view into the world through others' eyes. Naturally, we favor the former.

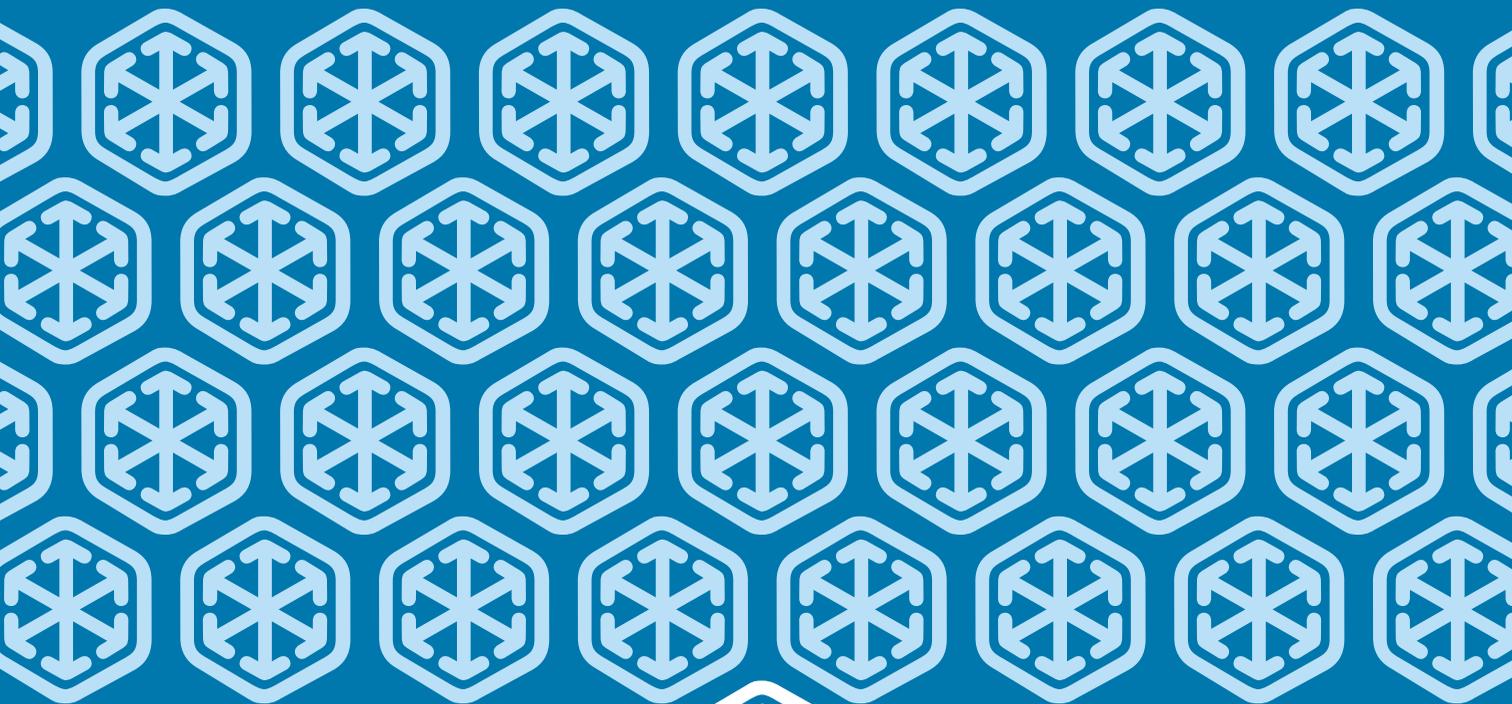
In an ideal world, however, logistics education might embrace measures of both. Today's undergraduate, post-grad, and career development programs offer a compelling compromise.

Purdue, Michigan State, MIT, Old Dominion, Georgia Tech, and many other universities in the United States and abroad are building global modules and exchanges into their programs. In Merrill Douglas' globe trotting article, *Passport to Knowledge* (page 17), you will read about industry veterans and undergraduate students, men and women alike, who are touring the world to view logistics through different scopes, sharing and soliciting best practices along the way.

These schools offer supply chain students and professionals the best of both worlds, old and new, pragmatic vocational training and cultural engagement. In classrooms and online they absorb instructional training, tactical and strategic; in the global lab they see and learn how logisticians apply these skills in different ways.

We value the importance of logistics education because it applies practical skills to strategic challenges; it empowers our workforce to be movers and shakers; it creates jobs; and it makes our economy more competitive.

Increasingly, logistics education also provides a window to the world. It's everything and anything you want it to be. ■



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10 TIPS

STEP-BY-STEP SOLUTIONS

by Deborah Catalano Ruriani



Selecting the Lift Truck That Meets Your Needs

When it comes to selecting the right lift truck, doing your homework and following a few simple rules can deliver higher productivity and lower operating costs. Martin Boyd, national product planning and marketing manager of Toyota Material Handling U.S.A., offers these tips for deciding which lift truck you need.

1 Consider whether you will operate the lift truck outdoors or indoors. For outdoor applications, most companies choose an internal combustion engine model powered by gas, liquid petroleum, or diesel fuel. For indoor applications, consider electric trucks. They cost more, but require less maintenance and upkeep.

2 Factor in total lifecycle costs. Variable costs such as maintenance and repairs, energy or fuel, downtime, and rental costs to replace down trucks account for a large portion of total ownership costs.

3 Consider a supplier's ability to customize solutions. Make sure the supplier you choose can tailor trucks to meet your specific needs with features such as swivel seats, drum handling attachments, spark-resistant components, and back-up alarms.

4 Select a truck with safety features. Lift truck manufacturers continuously develop new technologies and ergonomic features to help reduce the likelihood of accidents and injuries. Look for trucks with features such as adjustable seats, seatside hydraulic controls or mini levers, rear assist grips with horn button, and tilting steering columns.

5 Look for a dealer with ample support. Make sure your dealer has enough technicians, parts inventory, and services vans available to service your trucks as quickly as possible, and factor the dealer's location into your purchase decision. Dealers should help you manage work orders, track repairs, and alert you to trucks that are overdue for general maintenance repairs. Also ask about aftermarket support, including warranty coverage, rental, fleet management, and complimentary products and services, such as battery fast-charging systems.

6 Select an environmentally friendly truck. Lower-emission lift trucks are growing in popularity due to stricter emission regulations and federal EPA standards. In some areas, companies can receive local and federal tax incentives for replacing older model lift trucks with more environmentally friendly trucks.

7 Research the manufacturer's customer satisfaction standings. Every manufacturer will tell you its lift truck is the best, but what do customers say? Check product rankings from outside sources such as industry publications.

8 Consider a supplier that offers funding from a captive finance company. This means the company can leverage its relationship with the manufacturer and its dealer body to remarket a customer's used trucks. Special financing may be linked to the equipment, providing a more competitive pricing structure.

9 Make ease of maintenance a priority. Routine maintenance areas should be easily accessible, with features such as one-touch fuel tank brackets, no-tool floorboards that lift out quickly to expedite daily operator checks, and hydraulic filters located outside the hydraulic tank for easier service.

10 Choose a truck that is compatible with wireless communication systems. The lift truck should be compatible with common wireless communication technologies, which allow customers, dealers, and fleet managers to collect real-time data from the truck. ■



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READER PROFILE

by Merrill Douglas



Joe Steffney: One for the Books

Examine Joe Steffney's early career and a theme starts to emerge. He paid his way through college loading trailers for UPS. His first post-graduation job saw him supervising warehouse staff for Kmart. Then the story takes him to a series of distribution centers – Macmillan Publishing, Koen Books, Harcourt Brace, Houghton Mifflin, and Ingram Book Group. The company names speak volumes: Steffney has spent most of his career distributing books.

The volumes he distributes today are published by Cengage Learning, a Stamford, Conn., firm that produces textbooks and other educational materials, both in print and in digital formats. As senior vice president, global distribution, Steffney oversees operations at the DC in Independence, Ky., and at facilities in Canada, the United Kingdom, Mexico, Argentina, and Brazil. His responsibilities include inbound and outbound transportation, warehouse management, customer service, human resources, and financial operations. A separate organization runs DCs in Singapore, Australia, and other locations overseas.

Cengage serves university book stores, book distributors, and other customers in the global academic, professional, and library markets. Contract manufacturers produce its titles in the United States and abroad.

"Production is split evenly between international and domestic," Steffney says. The manufacturers ship the books,

software packages, DVDs, and other materials to the DCs, with distribution patterns keyed to demand.

The DCs ship most customer orders via motor freight – usually UPS or a truckload carrier – but Cengage also uses ocean and air and sometimes direct-ships to customers.

"The mode we use depends on customer requirements, seasonal demand,

TABLE OF CONTENTS

NAME: Joe Steffney

TITLE: Senior vice president, global distribution

COMPANY: Cengage Learning, Independence, Ky., since 2000

PREVIOUS EXPERIENCE: Distribution center supervisor, Kmart; warehouse manager, Macmillan Publishing; vice president of operations: Koen Books, Harcourt Brace, Houghton Mifflin, Ingram Book Group; vice president, Kentucky distribution center, Cengage Learning.

EDUCATION: B.S., management and organizational behavior, Montclair State College, 1982; M.S., business administration, Kennedy Western University, 2000; Ph.D., business administration, Kennedy Western University, 2005.

The Big Questions

What do you do when you're not at work?

My wife and I have 11-year-old twins, so we spend a lot of time at their sports activities. And I love football, so I try to take in games whenever I can.

Ideal dinner companion?

Captain D. Michael Abrashoff, author of *It's Your Ship: Management Techniques from the Best Damn Ship in the Navy*.

What's in your briefcase?

My passport, a certificate of vaccination, my iPod, and pens. I keep most of my business information in my Blackberry.

If you didn't work in supply chain management, what would be your dream job?

I'd like to be a sportscaster.

Business motto?

Git-R-Done!

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and our capabilities within certain time constraints," Steffney says.

The Independence DC is busiest in July, August, and December, when demand for textbooks soars. "We add 150 to 200 staff members to get through those three months," Steffney says.

Considering the current unemployment rate, he found it surprisingly hard to fill those temporary jobs in 2008. Blame the location—Kentucky has become a popular place to locate a DC.

That labor problem is easing, though, now that Cengage has deployed a voice-directed picking system in Independence. The system speaks instructions to workers, who speak back to report what they have picked. It's fast and mistake-proof, and just about anyone can use it. "It can speak any language, any dialect," Steffney says, which has made it feasible to employ more of the area's Spanish-speaking workers.

Voice-directed warehouse management is one of many innovations Steffney and his team have brought to the 775,000-foot Independence facility. Cengage built the DC just after Steffney arrived, and the first big challenge he faced was merging the operations of four existing buildings into one.

"We expected to open the new facility, store the inventory, install the technology, and start running immediately," Steffney says. Of course, nothing is ever that simple. "It took many long nights, but we got through that first summer, and by the next December, we were operating smoothly," he says. "We worked out most of the bugs."

The learning curve for employees was steep, but Cengage has continued to improve operations, experimenting with new technologies, then bringing them to other facilities.

"We've almost reached a point where I don't know how else we can improve our operations," Steffney says. "It's so efficient, it's amazing." ■

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TRENDS

As Boeing moves forward with the rollout of its 787 Dreamliner series, the company is looking to bring more engineering and manufacturing closer to home.

by Joseph O'Reilly

Boeing or Bust

Boeing is making supply chain management a critical pivot as it tries to steer its way out of an economic vortex. As demand for new aircraft ebbs, and a machinist's strike and failed component installation hamper the launch of the 787 Dreamliner program, the company is reconsidering its global supplier network.

The Chicago-headquartered aircraft manufacturer recently launched a new supply chain management and operations organization that will address commercial aircraft supplier management, fabrication, propulsion, manufacturing, and quality control.

As announced last year, Boeing expects to start making deliveries of the 787 in the first quarter of 2010—after two years of delays. The latest hiccup in the Dreamliner saga has forced the company to overhaul its supply chain oversight, pulling back the strings of what has been largely a global effort.

The company's network of suppliers spans

countries such as Japan, Britain, France, Germany, South Korea, and Italy. Boeing aims to bring more engineering and manufacturing closer to home as it moves forward with the 787 series.

While many businesses continue to explore economies in offshore markets, Boeing has learned firsthand the difficulty of managing operations among a scattered network of suppliers. But what has triggered fallout over missed deadlines and customer deliveries—controlling the supply chain—may yet help the aircraft company emerge from its current jet lag.

PEOPLE ON THE MOVE

Ken Martindale ▼ a retail veteran with more than 35 years of operations experience, has joined **Rite Aid Corporation** as senior executive vice president of merchandising, marketing, and logistics. He is responsible for category management, merchandising, marketing, supply chain, and inventory management for Rite



Aid, which operates more than 4,900 retail drugstores across the country. ⚡ **Duro Bag Manufacturing Company**, the world's largest manufacturer and marketer of paper bags, appointed **Robert J. Lackman** to the newly created position of executive vice president of supply chain for its Duro Standard Products division. Lackman, a 25-year supply chain and distribution veteran, oversees all aspects of transportation management, purchasing, customer service, and manufacturing scheduling at the company's U.S. facilities. Lackman was most recently vice president of purchasing and supply chain and an equity partner of Broder Brothers, Philadelphia, where he managed its global supply chain. ⚡ **Jim Ryan** has joined **Analogic Corporation** as vice president, global operations, where he is responsible for manufacturing and supply chain operations world-

wide. Ryan joins the Peabody, Mass., designer and manufacturer of advanced health and security systems from Booz & Company, a former subsidiary of Booz Allen Hamilton, where he played a lead role in the operations strategy group. ⚡ Effective April 1, 2009, **Klaus-Gerhard Bierbrauer** assumes the role of chief operating officer at **Hugo Boss**, where he will be responsible for purchasing, production, and logistics. For the past eight years, Bierbrauer has been responsible for operative management of the Gucci Group's fashion activities, including purchasing and procurement, supply chain management, quality and production management, as well as logistics. ⚡ **P.F. Chang's China Bistro Inc.** President **Robert Vivian** assumed the role of co-CEO along with Rick Federico. He leads the company's supply chain management, finance, legal, development, and management information systems teams.

Retailers Turn to Inventory Management

Retailers currently face a predicament as consumers continue to hunker down. One way they can combat this macroeconomic environment is by paying attention to merchandising and inventory management, according to a study by Karabus Management, a Toronto-based retail consultant.

The study examines how retailers are allocating capital and impacting earnings through cost-cutting initiatives and improving inventory control.

"The macroeconomic environment demands CFOs examine and adjust their financial and operational plans quickly in order to counteract the dramatic decrease in consumer spending," says Antony Karabus, CEO of Karabus Management. "Ninety-five percent of retailers surveyed are cutting capital expenditure budgets for 2009 by at least 10 to 25 percent, expecting the challenging environment to continue in the year ahead."

Retailers are sharpening their focus on inventory management in three ways, according to the Karabus study:

1 CANCELING SELECT ORDERS.
Twenty-five percent of CFOs surveyed are canceling select orders where possible, especially when suppliers are late.

2 DEFERRING RECEIPTS ON REPLENISHMENT ITEMS.
Seventy-five percent of retailers surveyed are flowing receipts on basic/replenishment items much closer to the expected need date, and are working with suppliers to renegotiate receipt dates.

3 REDUCING INVENTORIES.
Ninety percent of CFOs surveyed say they reduced inventory between five to 15 percent on a comparable square footage basis during this past holiday season and for spring 2009 introductions. Most plan to reduce inventory receipts for fall 2009 by up to 25 percent.



Keeping pace with the times, retailers are taking a new look at inventory to improve cost control.

GLOBAL LOGISTICS

by Joseph O'Reilly



European Transport: Short-term Stress, Long-term Growth

The threatening economic cloud hovering over the United States is spreading eastward and casting a pall over European trade as it continues its global path. The continent is bracing for a gloomy forecast as pressures build, consumerism wanes, and mandates to reduce transportation costs flood corporate boardrooms.

The current global downswing will stress transport rates throughout Europe, making it a tough go for truckers and

shippers, predicts Walter Schulze-Freyberg, managing director of Hamburg, Germany-based Polzug Intermodal.

Intermodal service providers such as Polzug promise to play an important role as Europe braces for tough times and trade partners look to link up east and west.

"I expect that, especially in the trucking sector, a considerable number of small players will not survive—even more so as road toll charges increase and truckers have difficulty passing these additional costs on to their customers," says Schulze-Freyberg.

The U.S. motor freight industry has already experienced such inertia, which has only catalyzed existing concerns about future capacity constraints and a need for transportation infrastructure investment. Europe now faces an equal challenge, shaded by some nuanced differences.

Europe's transportation network is more diversified in terms of intermodal utilization (railway, inland barge, and over-the-road transport) and its geographic footprint is far more contained than the United States—though Eastern Europe's growth is quickly changing that. Regional and country-specific politics, trade regulations, and infrastructure

anomalies have contributed to past difficulties aligning transportation links and trade. To account for this, the European Union has made a concerted effort to liberalize and standardize rail freight transport between member countries, especially among EU entrants, eliminating bureaucracies and bottlenecks to facilitate freight flows and reduce costs.

But promoting rail/intermodal is even more essential to building and modernizing terminals near Central and Eastern Europe seaports, Schulze-Freyberg acknowledges. Polzug, which provides rail container services from Hamburg, Bremerhaven, and Rotterdam to destinations in Eastern Europe and Central Asia, is positioned in the middle of this emerging trade bubble. The rising prospects of new manufacturing markets amplify the need for more global connectivity in Eastern Europe beyond what already exists in the West.

Polzug plans to invest several million euro next year for new terminals in Poland after opening a facility in Wroclaw last June to handle in-country market demands. While the company expects container volumes for 2009 to remain on par with last year, the long-term growth trend for European container trade appears intact.

Noting that in 2006 and 2007 growth rates were well above forecasts, Schulze-Freyberg believes after 2009 the long-term growth trend will continue as globalization resumes.

"The European hub ports are continuing to increase their handling capacities, and I do not see any problems with port congestion in the coming years," he says. "Moreover, the terminals have made considerable efforts to improve their hinterland connections." ■

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3PLLINE

by Jim Butts

Brokering Change

When I started in this industry in 1978, transportation companies were known as truck brokers. They primarily moved shipments of agricultural products under rates that were exempt from Interstate Commerce Commission regulation—that is, negotiable according to supply and demand.

In 1980, truck transportation was deregulated. The term “property broker” was defined, and the industry grew. The requirements for becoming a property broker were intentionally minimal – to speed the advantages of deregulation, property brokers were created in part to establish an open market where rates were responsive to market conditions. A property broker’s role was to balance the supply of capacity and demand between shippers and carriers.

INDUSTRY IDENTITY CRISIS

Deregulation worked, and is still working to this day. But another problem has arisen: Our industry suffers from an identity crisis. Normally, most of us can be Darwinian enough to not care about such things. This problem, however, affects all industry stakeholders—shippers, carriers, the general public, legislators—and it is too important to ignore.

As the industry has transitioned from transportation to logistics to supply chain management, the realm of property brokers has matured and grown more sophisticated. For example, the vague and ill-defined distinctions involving the ownership and usage of assets leads to a great deal of confusion.

That’s the problem. The current requirements for property brokers can leave shippers and carriers exposed to bad debt, non-payment, lack of responsibility for claims, and more. Property brokers have no legal obligation for a carrier’s financial performance, nor are they legally required to pay a carrier for its services if the underlying shipper defaults.

Furthermore, the only requirement to ensure a property broker’s financial performance—to redress any aggrieved shipper or carrier—is a \$10,000 surety bond. The problem is, \$10,000 does not provide anyone adequate protection.

The requirements for becoming a property broker need to be updated to reflect new market realities. The broker bond should be raised; it is much too easy to get a license. There are also cases of deliberate fraud, where a carrier or shipper was exploited, and legitimate transportation businesses were put in jeopardy.

Additionally, companies that broker freight to carriers should guarantee freight payment to the carriers they do business with, regardless of whether the shipper pays or not. They should administer any legitimate freight claims for their shipper/customers, and guarantee the financial performance of the carriers they assign for such shipments. It is time for all responsible “brokering parties” to step up and accept this higher level of responsibility.

Property brokerage is a vital part of the transportation and logistics industry. It is how much of our country’s freight gets moved. But the industry has matured and developed, and the scant legal requirements and low barriers to entry are no longer effective.

GOING FOR BROKER

Shippers should understand the legal and financial distinctions between the various brokers. Identifying the strengths and weaknesses in business models, operating structure, scope, and scalability, and assessing the specific risks associated with each service provider based upon their finances and available resources, will enable shippers to select the most appropriate provider. ■

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VIEWPOINT

by Chuck Parke

Cutting the Fat from Equipment Redundancy

During a recent tour of a major logistics company, I was amazed at the emphasis placed on honoring commitments to the shipper. At every step of the process, the company had contingency plans in place to ensure that objectives were accomplished and shippers were satisfied.

Then our guide indicated some idle equipment and explained it was necessary for “just-in-case” situations. As impressed as I was by this dedication to the customer, I wondered how much the service provider had sacrificed in lean operations to keep these equipment reliability safety nets in place. I also wondered if it was an interim solution, or if the company had failed to explore leaner options for its contingency strategy.

WHAT'S THE PROBLEM?

Few organizations have developed the discipline to analyze and clarify problems as they occur, rather than succumb to a “ready, fire, aim” mentality. In the face of a problem, most companies do not use the “5 Why” problem-solving method, which helps reveal a problem’s root cause. Often, they fix symptoms rather than take permanent corrective action.

Without proper analysis and permanent countermeasures to address the true root cause of equipment reliability issues, organizations have few alternatives to keeping redundant equipment ready for just-in-case breakdowns.

STANDARDS AND PRACTICES

Failing to implement standard work and the subsequent audit system to ensure compliance is another weak point in many equipment reliability plans. Standardization is vital to accelerating breakdown analysis and repair. In addition, standardization allows companies to dramatically reduce spare part inventories and more easily maintain preventive maintenance procedures.

Equipment design is also key to minimizing the time equipment is down for scheduled maintenance. Many organizations simply allow for some quantity of equipment to be out of service for preventive maintenance, rather than focusing on design aspects that can minimize scheduled maintenance downtime and subsequently reduce overall capital expenditures.

Organizations that adopt lean concepts are often the most frugal with capital spending. My first supervisor

explained to me many years ago that a piece of equipment should run at its peak performance the day before it is replaced by better technology. This maxim is just as true for logistics as it is for manufacturing, service, or any other industry.

Properly utilizing lean concepts such as total productive maintenance helps maximize equipment longevity and performance, resulting in lower capital expenditure and higher productivity. Having the user and the supporting maintenance department share ownership of equipment maintenance is essential to success in this effort.

STAY LEAN AND MEAN

Without high levels of equipment reliability, organizations are forced to use countermeasures that are contrary to lean in order to achieve the performance the customer demands. These organizations face hard times when their competitors successfully meet customer expectations in a manner that reduces waste as opposed to adding waste such as redundant equipment. Lean methodologies improve competitive viability in any industry and equipment reliability is essential to a successful lean transformation. ■



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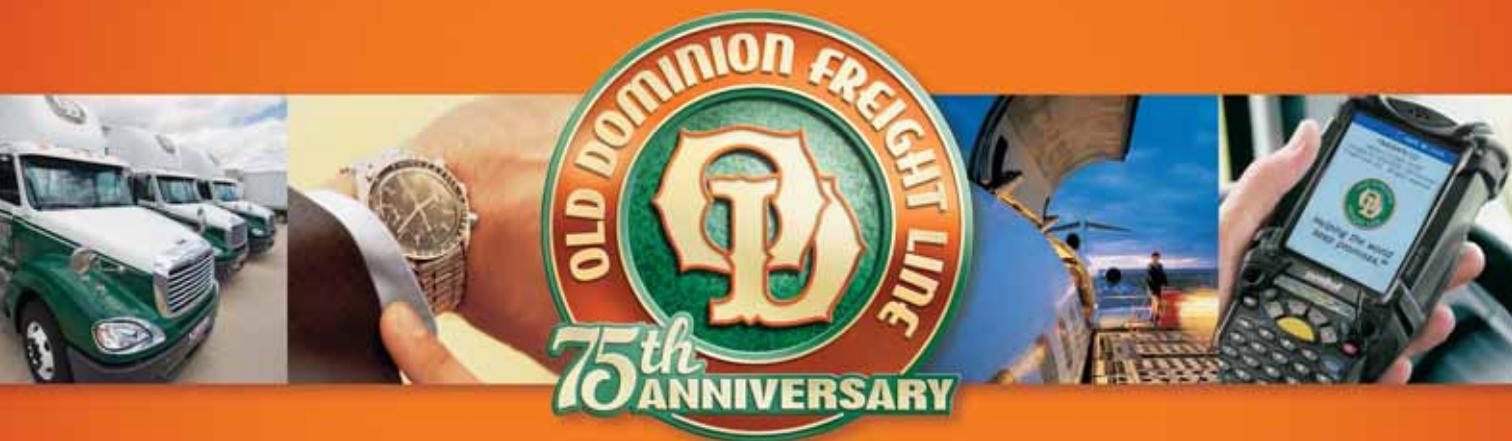
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Imagine Leah Ko's surprise when the Michigan State University (MSU) student heard music pouring from industrial machines in a Japanese factory. Or Bret Hanson's shock, as a Purdue University intern in Bangalore, when he learned that domestic freight movements in India might incur interstate tariffs. Or Greg Andrews' amazement when the logistics executive first set eyes on electronics plants in the Brazilian rainforest.

Such revelations are part of the reason that so many supply chain students and professionals seize the chance to study abroad. Travel opens your eyes to things you never knew existed and makes you think about the world in new ways.

"The world does not revolve around the United States, particularly in a business context," says Anthony Ross, associate professor, supply chain management at MSU, who leads an annual study excursion to Japan. To succeed in their careers, he explains, students need a broad understanding of what the supply chain is, and what it means to do business in the global environment.

Aside from the chance to view logistics through the eyes of a different culture, Americans go abroad to observe the links at the farthest end of the global supply chain. "They get a chance to see what movements international cargo goes through before it reaches the United States," says Sara Russell, instructor of maritime and supply chain management at Old Dominion University in Norfolk, Va.

Sure, you can read a book about Chinese manufacturing, German steamship lines, or warehousing in Argentina. You can use multimedia Web sites and video conferences to learn what it's like to hammer out deals in the far-flung corners of the world. But, as Andrews says, "There's no substitute for going there."

Got the travel bug? Read on for a sampling of some global education programs.



GEORGIA TECH

The World as Classroom



For the working professionals who enroll in the Executive Masters in International Logistics (EMIL) program at the Georgia Institute of Technology in Atlanta, the whole world is a classroom.

Greg Andrews earned his EMIL degree in 2005 while employed as director of

global logistics for a telecommunications firm in the southeastern United States. Today, he serves as managing director of the 18-month graduate program sponsored by Georgia Tech's H. Milton Stewart School of Industrial and Systems Engineering.

EMIL recruits its students, who must have at least 10 years of business experience, from Fortune 500 companies. The program combines online courses with five two-week residencies; the first and last take place at the Atlanta campus,

while the second, third, and fourth send students to Europe, Asia, and Latin America.

"The average student is 42 years old and has 15 to 17 years of experience across the supply chain," Andrews says. The program aims to draw 20 percent of its participants each from Europe, Asia, and Latin America, with the other 40 percent from the United States and Canada.



Study Abroad Programs in Logistics and Supply Chain Management

Executive Masters in International Logistics (EMIL)
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Georgia Institute of Technology
www.emil.gatech.edu

Global Supply Chain Management and Cultural Studies in Asia
Eli Broad College of Business
Michigan State University
www.studyabroad.msu.edu

Michigan State also sponsors a two-week summer course called "Logistical Packaging in Sweden," but it will not be offered again until 2011. For details, see studyabroad.msu.edu/programs/swedenpacking.html.

International Internship India
Krannert School of Management
Purdue University
www.studyabroad.purdue.edu

MIT-Zaragoza International Logistics Program
Center for Transportation and Logistics
Massachusetts Institute of Technology
www.ctl.mit.edu

The Logistics Institute – Asia Pacific
H. Milton Stewart School of Industrial and Systems Engineering
Georgia Institute of Technology
www.tliap.nus.edu.sg

Transportation Systems and Trade Flows within the European Union
College of Business and Public Administration
Old Dominion University
www.bpa.odu.edu

During site visits, Georgia Tech's EMIL participants gain new perspectives on international warehousing and transportation.

Exactly which countries students visit varies from year to year. The European residency, for example, might include France, Germany, Poland, and Hungary. A recent Asia trip took students to Penang and Kuala Lumpur in Malaysia, then to Hong Kong and Shanghai.

Andrews' Latin American experience included a week in Sao Paulo and one in Manaus, the city in the rainforest. "There's nothing there except the free trade zone and manufacturing zone the Brazilian government established," he says. Drawn by those incentives and inexpensive local labor, global companies such as Nokia and Philips build products in Manaus and fly them to the rest of Brazil.

Andrews and his fellow students used the overseas residencies to learn firsthand about the nuts and bolts of business in various parts of the world.

EMIL students meet with corporate executives, government officials, and other experts in the countries they visit. They work closely with their counterparts overseas, presenting case studies and wrestling with real-world business problems.

In Brazil, Andrews was charged with determining how to bring his company's products into the Brazilian market. Multiple layers of taxes, totaling 68 percent of the total cost of the goods, posed a formidable obstacle.

"After visiting several companies, I learned how to cut that to 18 percent," he says. "My observations gave me a road map for achieving results at my company. You can't get that kind of experience over the phone."

EMIL is not the only international learning experience available to students of supply chain management at Georgia Tech. The first U.S.-based student recently enrolled in The Logistics Institute (TLI)-Asia Pacific, a collaboration between Georgia Tech and the National University of Singapore (NUS).

Graduate and executive education programs at TLI-Asia Pacific are similar to programs offered at Georgia Tech's Supply Chain and Logistics Institute, says Harvey Donaldson, the Institute's director and associate chair of industry and international studies at the Stewart School. Students who complete the master's program earn two degrees, one from NUS and one from Georgia Tech.

Each year, the partners recruit approximately 20 students, who are eligible to receive scholarships from the government of Singapore. "While it is primarily for Asian students, it is open to all," Donaldson says. Scholarship students must be co-sponsored by a company in Singapore and agree to work in the country for at least three years after graduation.

In short, EMIL helps students master the supply chain.

OLD DOMINION UNIVERSITY

Port Hopping

While EMIL takes supply chain professionals around the world, European ports form the stage for a program that's available to students majoring in maritime and supply chain management at Old Dominion University in Norfolk, Va. Since 2007, a program on transportation systems and trade flows within the European Union has taken undergraduates and graduate students to visit some of the continent's important shipping terminals, logistics centers, ship and airline manufacturing plants, and other facilities.

Old Dominion's College of Business and Public Administration created the two-week, three-credit study abroad program to give students an international perspective, complementing what they learn on tours in and around Norfolk. European ports are much larger and busier than the ports that Old Dominion students visit in the United States, says Sara Russell, who leads the trip to Europe.

"It's interesting to be able to compare what is taking place on both sides of the Atlantic," she notes.

The course starts during the spring semester with several on-campus meetings. Students discuss the basics of shipping terminal design and supply chain management, plus the cultural underpinnings of European transportation.

In 2008, the tour included visits to facilities in Brussels, Amsterdam, Rotterdam, and Antwerp. In Antwerp, for example, students visited the DP World and PSA terminals, plus several logistics centers and warehouse operations. "The students also went to the University of Antwerp to attend several lectures from its key supply chain and economics professors," Russell says.

Damen Shipyards hosted Old Dominion University students during their tour of the Netherlands in 2008.





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-Bart Starr,
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A tour of ThyssenKrupp Marine Systems' shipyard in Hamburg, Germany (formerly German shipbuilder Blohm & Voss) featured on the Old Dominion University students' itinerary in 2007.

Students also talk with representatives of transportation organizations. "Last year, we met with the European Sea Ports Organization," Russell says. "We also met with the European Carriers' Alliance and the European Transport Federation."

Back in the United States, students write research papers on a topic that sparked their interest during the tour.

Philip O'Donnell, a double major in international business and marine and supply chain management, made his trip to Europe in May 2007. He graduated in December 2007, and since June 2008 has worked as an export pricing analyst at Zim American Integrated Shipping Services Co. in Norfolk.

The background O'Donnell gained in Europe helped ease the transition from school to work. He finds it helpful to picture the services he's pricing, based

on his visits to ports such as Antwerp's, where he watched cranes load and unload cargo, and saw a semi-automated yard in action. "Seeing the actual operations was one of the most influential parts of the experience," he says.

Students from Old Dominion will return to Europe in 2009, but for 2010 the business school has something new in store: a trip to Asia. "We want to focus on manufacturing operations, free trade zones, and the logistics involved in moving cargo out of Asia," Russell says.

Students will visit Hong Kong; other possible stops include Shenzhen and South Korea. In the future, the summer program will offer trips to Europe and Asia in alternate years.

With so many travel options, Old Dominion gives students a passport to a world of logistics knowledge.

MICHIGAN STATE UNIVERSITY

Japanese Commerce and Culture

The machine that Leah Ko heard making music in Japan was a materials handling apparatus produced in a Daifuku factory. As she and her fellow students learned, it's not unusual in Japan to find industrial equipment designed to perform more than its job.

"Most Japanese products are aesthetically pleasing, even heavy machinery such as cranes," says Ko, a supply chain

major who visited the plant as part of her study abroad experience. "I found it very interesting that the Japanese take the time to add this option."

Cultural discoveries of that sort abound during the global supply chain management and cultural studies in Asia program sponsored by MSU's Eli Broad College of Business.

Offered at the end of the spring semester, the six-credit program starts with several online meetings that cover 40 to 50 percent of the course work. Students then travel to the Japan Center for Michigan Universities in Hikone, Japan, for more class work, plus local tours focused on history and Japanese culture. Next, the group moves to Nagoya and Tokyo to visit manufacturing plants, government offices, and logistics facilities.

"We visit Tokyo's International Air Cargo Terminal, which is where most of the world's sushi leaves and enters Japan," says Ross, who leads the trip. Other venues have included: the Japan Ministry of Trade and Industry; freight forwarder Kuehne+Nagle's facilities; Kikkoman soy sauce company's world headquarters; Meiji, Japan's largest candy company; and the financial newspaper *Yomiuri Shimbun*.

"These companies are gracious enough to allow our students to tour one or more of their facilities," Ross says. "They also invite their C-level managers to present their company strategy, performance, vision for the future, the setting in which they operate, and the scope of their whole business operation."

During the program, students complete two of three courses: Introduction to Supply Chain Management, Introduction to International Business, and Independent Study in International Logistics.

Kristi Cassar, a general management major, enrolled in the program in 2007. Like Ko, she noticed aspects of Japanese business culture that were strikingly different from practices in the United States.

One example: some warehouses she saw took quality control to the extreme. "They hired workers to go through every package and recount the contents," says the May 2008 MSU graduate, now working at Eaton Corporation in Eden Prairie, Minn.

Ko, who graduated in December 2008, observed the effects of Japan's narrow city streets. "The trucks are a lot smaller, and instead of opening from the rear, as

they do in the United States, their 'butterfly trucks' open from the sides."

The country's small, densely populated land mass also demands different logistics strategies. "Companies usually share warehouses, and those facilities are built higher – often five or six stories," Ko says. "In one warehouse we toured, a different company owns each floor."

As Ko and Cassar discovered, developing an appreciation for these types of differences is one of the MSU program's many benefits.

MIT-ZARAGOZA The Chain in Spain

If studying abroad means going where the action is, you can't do better than the Massachusetts Institute of Technology (MIT)-Zaragoza Logistics Program in Spain. The program's campus stands in the middle of Europe's largest logistics park, Plataforma Logística de Zaragoza (PLAZA). Modeled on MIT's masters of engineering in logistics (MLOG) program, the nine-month Zaragoza course draws graduate students from around the world and from a variety of disciplines.

"It's a mix between business and engineering backgrounds, as well as international studies and political science," says Jarrod Goentzel, the Zaragoza program's executive director. "People who want to get involved in international business realize that supply chain is a good way to pursue that goal, because most

Students participating in Michigan State University's Global Supply Chain Management and Cultural Studies in Asia program tour a Sanyo warehouse near Kobe, Japan.



supply chains are inherently global.”

MIT’s Center for Transportation and Logistics operates the program in Spain in partnership with the University of Zaragoza, the government of the Aragón region, several corporations, and PLAZA. Along with the masters degree, MIT-Zaragoza offers a PhD, both from the University of Zaragoza. The program also provides a home base for faculty, students, and corporate partners to conduct research.

One faculty member, for example, is exploring more effective ways to transport medicines into sub-Saharan Africa and other developing regions. Three other research initiatives emerged after officials at the DHL facility in PLAZA introduced MIT-Zaragoza researchers to colleagues at the DHL Innovation Center in Germany.

“The Zaragoza center became a key research partner for the new DHL Innovation Center,” Goentzel says. With funding from the Aragón government, resources from DHL, and expertise from the academic center, the partnership is focusing on three areas: reverse logistics, postponement strategies, and supply chain visibility.

Students in the masters program may participate in faculty research for their thesis projects, or they may do research for local corporate sponsors. “The company can use the results of the research project to move forward,” Goentzel says. “It’s a way for them to explore topics that they may not have time to explore, given daily management requirements.”

The MIT-Zaragoza program, which is taught in English, currently includes 33 students from 15 countries. “The international experience is not only living overseas, but also studying and working with people from different backgrounds,” Goentzel says.

That experience acquires an

What’s study abroad without a little sightseeing? Purdue University students in India visit Mysore Palace.

added dimension each January, when students from the Zaragoza program and the MLOG program in Cambridge, Mass., study together, spending half the time at each campus. “The students are grouped into teams of six, and we play a month-long simulation game,” Goentzel says. “They compete to see who manages the best supply chain.”

With the experience the students gained in MIT’s and Zaragoza’s programs, that competition is sure to be fierce.

PURDUE UNIVERSITY Motorbikes in Bangalore

Given the economic slump and recent violence in India, Mary Pilotte thought Purdue University’s International Internship India program might draw fewer students in 2009 than in past years. But based on the numbers that have been turning out for information sessions, interest in the program remains strong.

“The program is a resume enhancer

that helps participants differentiate themselves in the marketplace,” says Pilotte, managing director of the Global Supply Chain Management Initiative and the Dauch Center for the Management of Manufacturing Enterprises at Purdue’s Krannert School of Management. The two centers run the internship program with sponsorship from Indian motorcycle and motor scooter manufacturer TVS Motor Corporation.

Intended for graduate students, but available to selected undergraduates, the internship sends participants to spend two weeks at TVS in Bangalore, where they work on research projects for the company. Venu Srinivasan, chairman and managing director of TVS Motors and a Krannert alumnus, founded the program to give students a chance for cultural immersion in an industrial setting. This is the internship’s third year.

Students from various disciplines within the business school, including supply chain, operations, marketing, finance, and human resources, have participated in the internship. Engineering students are welcome, too, as are students at the GISMA Business School in



Hannover, Germany, which maintains a relationship with Purdue.

Before going to Bangalore in May, participants form teams of two, based on their backgrounds and interests. Each pair is assigned a project from a list supplied by TVS and is matched with a mentor in Bangalore. Students confer with their mentors via video conference link and conference calls and start gathering data for their projects.

Bret Hanson, who earned an MBA in operations from Purdue in May 2008, conducted research to help determine where and how TVS might expand its manufacturing capacity, both within and outside India.

"We considered factors such as tariff rates, shipping charges, and the friendliness of governments where the company would potentially expand," he says.

One of the most valuable aspects of the project was the chance to compare business processes in the United States and in India, says Hanson, who now works in the Supply Chain Leadership Development Program at Raytheon Company in Waltham, Mass. For example, Hanson was surprised to learn that businesses pay tariffs on goods transported

from one Indian state to another. "The lesson I learned is that the rules are different everywhere," he says.

A project of that sort also helps

students appreciate how geography affects product cost, says Pilotte. Students understand that it's less expensive for a

Other teams have tackled projects focused on supplier scorecarding. Learning what qualities an Indian

company values in its suppliers helps students appreciate some of the differences between the Indian and U.S. business cultures.

Another benefit interns gain is seeing firsthand what it's like to operate a supply chain in an emerging country. "The processes, rigor, transportation infrastructure, and notion of consistent performance may not be in place yet," says Pilotte.

Insights of that kind will become important as more U.S. firms come to rely on a web of trading partners that stretches around the globe. Future supply chain professionals need to gain rigor in their professional discipline, of course. But they also need to gain a global perspective.

"If you can't get out and observe other environments and cultures to gain an appreciation of why they do things differently, then you lack the flexibility and the readiness you need to make sound decisions," says Ross at MSU.

Fortunately, supply chain students and professionals today have many opportu-

nities to attain that flexibility, and gain the experience they need to succeed, by getting a close look at business cultures throughout the world. ■

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U.S. manufacturer to make product in India or Mexico, for example. "But if you're in India already, where do you go?" she says.

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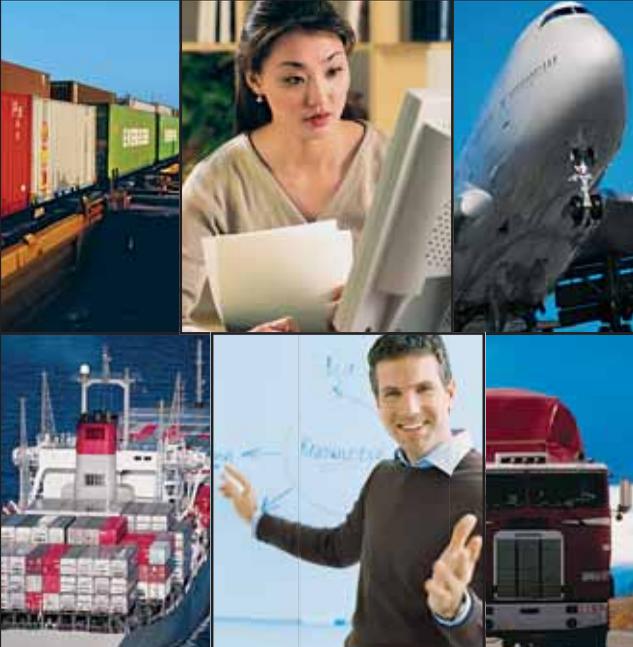
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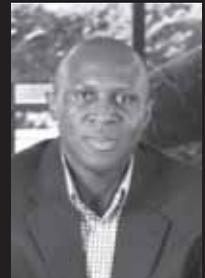
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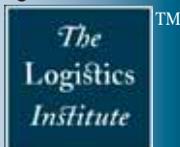
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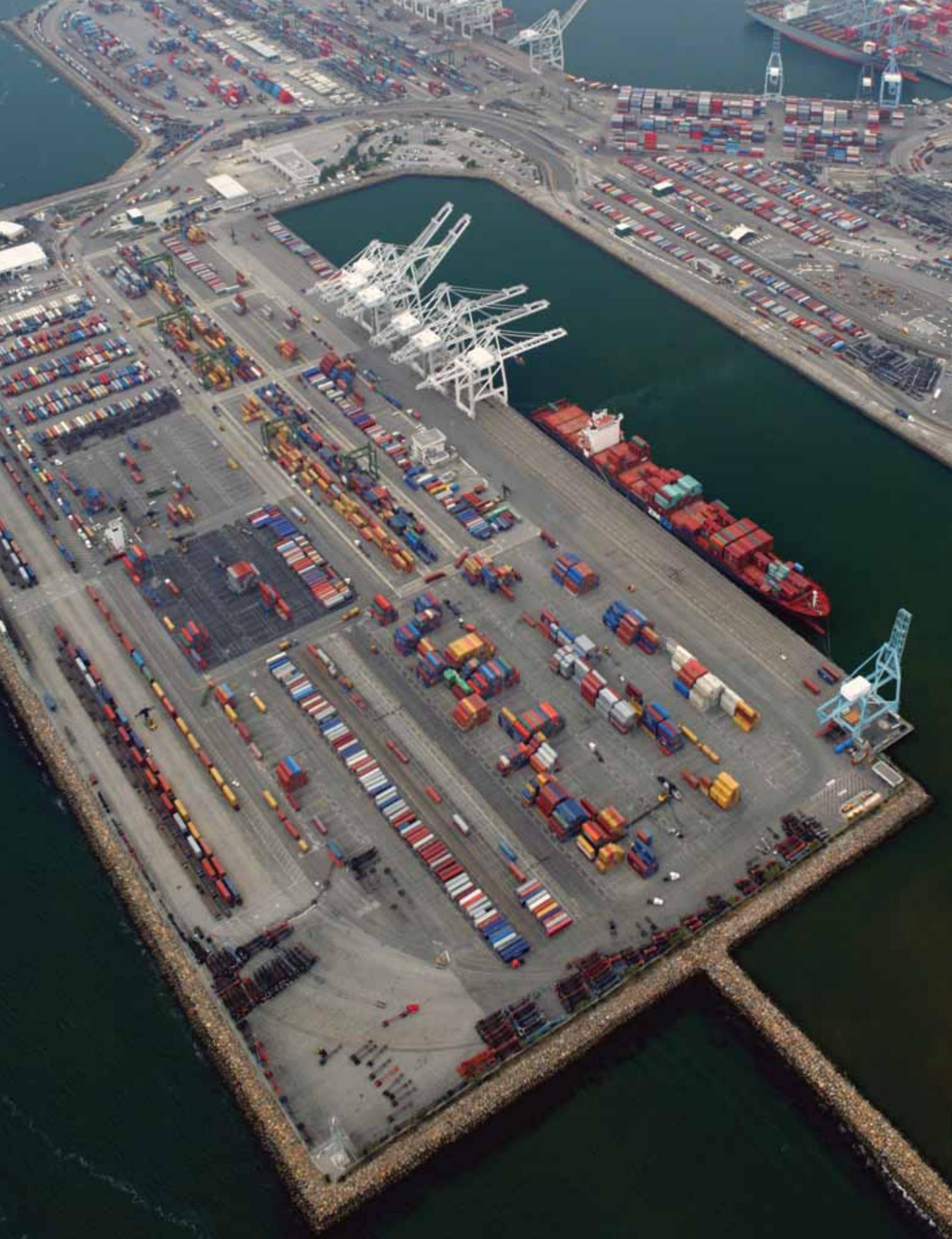
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Understanding the
latest CBP programs
and requirements
involves homework
and headaches. So...

Why Comply?

BY DAN CALABRESE

The U.S. government is taking unprecedented steps to protect national security, and nowhere is the impact of that effort felt more than at the country's entry points. For global shippers, this heightened security consciousness presents myriad challenges when it comes to clearing goods through U.S. Customs and Border Protection (CBP), which requires more and allows for less than ever before.

Failing to understand and comply with the latest CBP requirements can cost shippers and importers serious time and money. A spot inspection can delay the movement of material for several hours; a hold can delay it for several days.

The good news is that CBP offers new tools and programs to help

shippers and importers meet its new, stringent requirements.

If shippers had to choose one action that would help expedite the movement of goods through Customs, it's to become certified under the Customs-Trade Partnership Against Terrorism (C-TPAT) program.

The Port of Los Angeles/Long Beach is the largest and busiest port in the United States, handling about 45 percent of all containers inbound to CBP.

CBP launched the C-TPAT initiative in an effort to help it work more closely with businesses to improve border security. To qualify for C-TPAT certification, shippers and importers must meet a variety of requirements in several categories, ranging from business practices and record-keeping to facility security and developing working relationships with supply chain partners on security issues.

EXPERT ADVICE

Once certified, shippers can expedite many Customs processes, receive priority processing, and be subject to fewer inspections. CBP also assigns a supply chain security specialist to work with each C-TPAT-certified company. This expert advises the company on enhancing its own security procedures and those of its supply chain partners.

C-TPAT-certified companies particularly benefit from the supply chain security specialist's suggestions covering both broad supply chain issues and specific questions about how companies should conduct themselves in particular global regions.

Some certified companies also qualify for CBP's Importer Self-Assessment Program, which trains companies to police their own security issues rather than being subjected to CBP audits.

"The first step any importer should take is to become C-TPAT-

certified and validated," advises Terry McCracken, a Customs compliance consultant with Supply Chain Solutions Inc., a Grand Rapids, Mich.-based consulting firm. "C-TPAT's goal is to establish a cooperative relationship between government and business to strengthen and improve overall supply chain and U.S. border security.

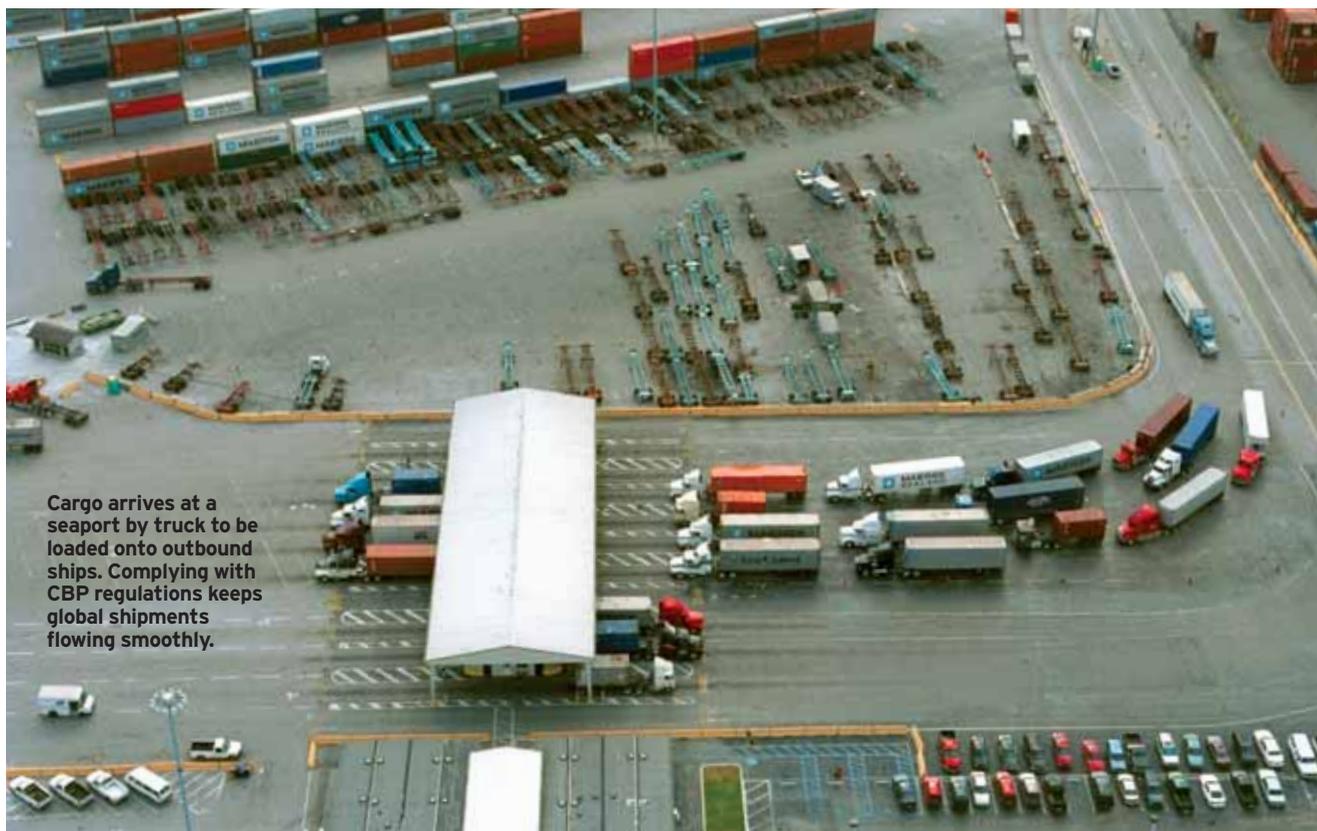
"Importers who belong to the C-TPAT program receive more expeditious clearance and better treatment all the way down the line," McCracken says. "In a national emergency where the borders are threatened, they will be the first people served.

"Certification also makes companies eligible to attend many security training seminars," McCracken adds. "This training is very important. In the past, some importers have been nonchalant about attendance, but I recommend they make it a priority in 2009."

ONE SIZE DOES NOT FIT ALL

C-TPAT does not adhere to stringent, one-size-fits-all compliance standards. While that flexibility can help companies comply with certain regulations, it can also make the requirements harder to pin down.

"Shippers ultimately have to show CBP that their supply chain is secure," says Susanne Cook, attorney and director of



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the International Business Group at Pittsburgh-based business law firm Cohen & Grigsby.

Given the many different kinds of import activity, it's impossible for Customs to apply a uniform standard.

"Some small companies import from one supplier located just across the Canadian border, using the same trucking firm. Other multinational firms trade with Singapore, employing numerous carriers and supply chain partners," Cook says. "How could CBP apply just one set of standards?"

Whether their global operations are simple or complicated, C-TPAT participants all have to achieve the same primary objective: demonstrating that their facilities are secure.

Importers are also advised to ensure that their freight forwarders and customs brokers are C-TPAT certified. Many other countries employ C-TPAT-equivalent programs, and suppliers in those countries need to document their certification in writing to show U.S.-based importers that they are compliant, according to Megan Finkelstein, a U.S. Customs specialist at Cohen & Grigsby.

10 + 2 = NEW REQUIREMENTS

In effect since Jan. 25, 2008, Import Security Filing (ISF)—or 10+2—is a new security filing requirement for seabound (including the Great Lakes) vessels. 10+2 requires importers or their agents and carriers to transmit additional data to CBP for non-bulk cargo prior to vessel lading. The filing got its name because it imposes 10 requirements on importers and two on carriers.

The 10 data elements importers must now report are:

1. Manufacturer name and address
2. Seller name and address
3. Container stuffing location
4. Consolidator name and address
5. Buyer name and address
6. Ship-to name and address
7. Importer of record number
8. Consignee number
9. Country of origin of the goods
10. Commodity harmonized tariff schedule number

The two data elements carriers must transmit to CBP are:

1. The vessel stow plan
2. Status messages

THE COST OF NON-COMPLIANCE

Non-compliance with 10+2 can result in penalties—including containers not being allowed to load at shipping origin, or significant inspection delays at destination. In the case of a default, merchandise can be liquidated to pay damages.

"Non-compliance with the 10+2 rule will raise line costs and

increase delivery time," McCracken warns.

CBP will not begin strict enforcement of 10+2 until it has been in effect for one year, and will offer opportunities for public comment during that period.

In addition, CBP may offer incentives to importers who combine all their required information into a single filing, notes Amy Magnus, a Customs compliance consultant for Kewill, a Chelmsford, Mass.-based global trade and logistics software provider.

"If importers opt for uniform filing—submitting 10+2 information at the same time they file release and summary data—CBP gets the benefit of having all the information surrounding a particular transaction 24 hours prior to the vessel lading," Magnus explains. "That gives it time to vet the information to see if it needs to screen that particular shipment."

TAKING STEPS TOWARD SUCCESS

Here are some additional steps importers can take to ensure Customs compliance:

1. ESTABLISH A CUSTOMS COMPLIANCE DEPARTMENT. Companies that can do so should create an import department with a heavy emphasis on Customs compliance, recommends McCracken. This department would form a close relationship with CBP to gather information necessary to stay in compliance.

"This kind of relationship is also referred to as informed compliance," McCracken adds. "It simply means that CBP has made available all the information necessary to equip the importer to transact Customs business lawfully and accurately."

2. PROVIDE COMPLIANCE TRAINING. Reviewing compliance information with key employees is crucial to achieving a successful relationship with CBP.

"Companies both large and small need to start with an entire review of informed compliance training, including a detailed list of employee and import team leader responsibilities," McCracken says. "Training should start before a purchase order is ever written. Factor in all the Customs data elements employees need to know before they order the goods."

3. APPLY THE HARMONIZED TARIFF CODE. One of the most important data elements is applying Harmonized Tariff System codes—six-digit import/export codes for general categories. Training the compliance department to apply these codes should occur as part of a process in which importers work closely with brokers, carriers, CBP officials, and, especially, foreign suppliers.

4. ESTABLISH COMPLIANCE MANUALS. While CBP does not mandate that shippers and importers keep internal compliance manuals, it might as well.

If you can manage to stay in compliance without consulting a manual, good for you. But if you run into the slightest

Getting C-TPAT Down Pat

What's really involved in achieving C-TPAT certification? Two furniture importers share their experiences.

When its containers began to be pulled aside by CBP, and customers suffered as a result, furniture importer American Woodcrafters, High Point, N.C., committed to making the necessary security upgrades to achieve C-TPAT certification. The company imports fully assembled furniture, mostly via ocean but occasionally by air, and resells it in the United States.

The C-TPAT certification process involved two main imperatives for American Woodcrafters—internal security upgrades and documentation upgrades, says Sandra Taylor, administrations manager for the 30-employee company. “Many of the required processes were already in place, but not in a formal manner,” she notes.

For guidance, the company turned to third-party logistics provider Globe Express, Charlotte, N.C. Globe started the C-TPAT certification process by helping American Woodcrafters identify its security vulnerabilities.

“Many non-employees were walking in the front door every day, no one carried ID, and the doors were not locked,” recalls John Dellenger, corporate broker for Globe Express.

Some employees initially balked at the security enhancements. “Because we’re a small company, some employees thought the extra security was unnecessary,” Taylor says.

While Taylor says she understood their initial resistance, she has explained to her colleagues why the benefits of C-TPAT certification justify the changes. They slowly came around, and have now adjusted.

While its internal security processes required some tweaking, American Woodcrafters was already ahead of the curve on container security—using the proper seals and paperwork—and merely needed to document its practices to achieve C-TPAT certification.

But the company did have to impose some requirements on its overseas suppliers for the first time.

“We had to send questionnaires to the companies we work with overseas, documenting that they followed specific container security procedures,” says Taylor.

Huntington Execs Get on Board

Achieving C-TPAT certification was a two-year process for High Point, N.C.-based Huntington Furniture Industries, which imports fully assembled furniture via ocean from China and Vietnam.

One early challenge was getting executive management on board with the need for C-TPAT certification, says Dellenger, who also helped Huntington through the process.

“If company executives do not have buy-in, it won’t work,” Dellenger says.

Like American Woodcrafters, a major task for Huntington was documenting procedures already in place. To that end, the company began the process of installing a new video surveillance system.

“Globe Express helped determine the correct locations for surveillance cameras,” says Holly Surratt, import traffic customs brokerage analyst for Huntington. “By securing the entrances and warehouse, we stemmed unauthorized access.”

Huntington also had to get suppliers in China and Vietnam to implement a CBP-mandated container seal checklist procedure. With the correct security procedures followed at the point of origin, the process becomes more simple at Huntington’s end. “We conduct ongoing security training for new employees, and use the container checklist when goods arrive at the warehouse,” Surratt says.

For Huntington, the key to C-TPAT success was getting employees to take ownership of the security measures. “Containers were sitting in the warehouse with the door open,” Dellenger says. “Today, security processes have closed up potential breaches.”

TOP-DRAWER SECURITY.

Furniture importer American Woodcrafters underwent detailed security upgrades to achieve C-TPAT certification.



“Importers who belong to the C-TPAT program receive more expeditious clearance and better treatment all the way down the line. In a national emergency where the borders are threatened, they will be the first people served.”

– **Terry McCracken**, Customs compliance consultant, Supply Chain Solutions

problem—especially one resulting in an audit—the lack of a compliance manual will fix the blame on you.

“There is a real disconnect between CBP and industry on the use of compliance manuals,” Cook says. “There is no regulation that requires a written manual or procedure book. And that’s fine, as long as the correct procedures are followed. But, if CBP finds one small incorrect item, it holds the absence of a manual against you.”

Any company choosing to operate without a manual will likely find itself doing otherwise after an audit. “I cannot imagine anyone coming out of an audit without requiring a written compliance manual to bring the company up to speed,” Cook says.

A compliance manual is even more important for companies striving to meet C-TPAT certification requirements.

TO ERR IS HUMAN

Complying with CBP regulations can be complex and confusing, laying the groundwork for errors. Here’s a rundown of some common compliance mistakes:

1. FAILING TO DO WHAT YOU’RE SUPPOSED TO DO. “For example, while many companies say they conduct quarterly self-audits, and review their classification and shipments, they actually don’t do it,” Finkelstein notes.

2. FAILING TO UNDERSTAND ACTUAL RESPONSIBILITIES. “Most companies want to comply with the requirements, but they don’t understand that they are responsible for each bit of information that is being submitted to CBP,” Cook says. “It’s the equivalent of a taxpayer saying, ‘Oh, my accountant handles that,’ even though it’s the taxpayer’s responsibility.”

3. RELYING SOLELY ON ONE TRANSPORTATION MODE. Another mistake importers make is believing they can rely solely on one mode of transportation, and don’t need to know the nuances of using the others. That is just not feasible today, according to Cook.

“For years, I’ve dealt with Canadian importers who have always moved goods into the United States via truck or rail, and didn’t care to understand the differences or nuances of ocean transportation,” Cook says. “But today, so many Canadian companies source overseas that they are confronted with having to shore up their global supply chain.

“All shippers need to understand how to use air freight,” she

adds. “They will always have to deal with a last-minute piece of equipment or part, or some type of new style apparel that was late in manufacturing and has to reach stores by a certain date. I don’t see a time anymore when an importer can rely on only one transportation mode.”

4. MISINTERPRETING THE MEANING OF TRADE DEALS SUCH AS THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA). “Many importers are not familiar with all the rules and regulations surrounding NAFTA, so they make a lot of compliance mistakes in that area,” Finkelstein says. “When CBP initiates an audit, the companies are not sure what they have to do to be in compliance.”

Maintaining a complete inventory is always an importer’s best defense against inspections, audits and delays.

“Importers must take complete inventory of all the items they intend to ship into the United States, classify them fully to the 10-digit level, and determine if any agency has an issue with the goods,” Cook says. “Importers also need to know if any goods fall under the Consumer Product Input Safety Act, which has its own set of specific requirements.”

COMPLIANCE A LA MODE

For each of the three international transport modes—air, ocean, and ground—certain steps are particularly important for ensuring C-TPAT compliance.

Air Transport: Airfreight shippers need to be especially careful to follow procedures under the new Automated Manifest System.

“The carrier, not the importer, determines the information, but the shipper must make sure it is filed properly,” says Georgette Brady, compliance officer for RF International, a division of Dublin, Ohio-based Pacer Global. “Customs compliance via air is all about ensuring the documentation is correct—that you have your commercial invoice and packing list, and that you can clear goods through Customs quickly.”

Air carriers must submit the air manifest to CBP prior to the aircraft’s departure.

To help keep air shipments in compliance, Kewill offers the following three recommendations:

1. Importers should provide EDI information to brokers in order to expedite clearance, reduce errors, and ensure that goods are classified properly.



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Compliance Programs: How to Qualify

U.S. Customs and Border Protection and the Department of Homeland Security offer a variety of programs to help shippers and importers comply with federal security regulations. Here are some tips to ease the certification process, from Bill Anderson, group director of global security for Ryder, a third-party logistics provider based in Miami, Fla.

Read and understand the program. Each agency sponsoring a program provides online information, as well as a variety of training seminars and professional conferences where security personnel can boost their knowledge.

Get to know your supply chain, including the origins of your raw materials and the goods you import, as well as the destination of your exports.

Be familiar with your supply chain's business partners and their status in the program or programs that interest you.

Assess the security of your domestic operations and foreign consolidation points, and develop a plan to close any gaps.

Develop documented standards for supply chain security processes.

Provide a copy of your standards to your key supply chain business partners.

Include minimum security requirements or program participation requirements in your contracts with business partners.

Determine what kind of certification you want to pursue (importer, manufacturer, land carrier, 3PL) and determine whether you want to hold one certification or split the certifications per country or business unit.

Complete applications and file with agencies.

Consult with your assigned agency representative.

2. Importers should manage a Web-based parts database, which allows all parties access to data required for appropriate classification, and helps ensure that goods are classified—and duties paid—using the same information.

3. Importers need the right visibility tools to view their air transactions. They might find it helpful to work with a broker who provides strong visibility and notification tools to keep them apprised of their shipments. Importers especially need full visibility to the shipment, and automatic notification as the shipment moves through the supply chain.

Ocean Transport: For importers shipping via ocean, the most important requirement is 10+2 compliance, which will change how some of them operate. For instance, “ocean shippers can no longer tell their vendors, ‘Just ship my merchandise,’” Brady says.

Within these new requirements, confidentiality is crucial.

“One of the important issues concerning 10+2 is the confidentiality of the information CBP needs,” Brady says. “Customs brokers are bound by law to keep confidential all documents of any type.”

Ground Transport: For ground shippers, a key requirement involves a new computer system developed by CBP: Automated Commercial Enforcement (ACE), which requires an electronic manifest for trucks.

“Before trucks reach the border, drivers transmit their manifests electronically,” Brady explains. “CBP border officers then scan the bar code on the manifest, and the truck quickly moves across the border.”

Shippers and importers need to boost the effectiveness of their data coordination to keep up with ACE.

“ACE requires coordinating the data filed for the manifest with data filed for release and entry,” Magnus says. “For shipments to be in compliance, those data submissions must be matched up and complete.”

Under ACE, the time period for data transmission is one hour prior to arrival of the truck or train. The rewards of successful compliance are substantial.

“If the data is filed correctly and on time, the physical goods can move seamlessly across the border,” Magnus says. “If the data is not accurate, complete, or timely, many issues arise—a delay, or a cargo inspection, for example. The common bottom line for the importer is increased costs.”

Such inspections could be even more expensive for air or ocean shippers, however, because CBP generally needs to use special facilities to conduct inspections of these modes.

“There could be a hold on the cargo, which some shippers do not realize,” Magnus says. “Customs doesn’t work alone; many agencies participate in the arrival of data. For example, the Food

C-TPAT DELIVERS *Fewer* Inspections

While CBP significantly boosted inspections of all cross-border shipments since 2001, C-TPAT members report significantly fewer inspections of their shipments in 2008.

2008 INSPECTION RATES

ROAD	11 million truck containers crossed U.S. borders. NUMBER OF TRUCKS INSPECTED: 1 in 4
OCEAN	11.3 million sea containers crossed U.S. borders. NUMBER OF CONTAINERS INSPECTED: 1 in 33
RAIL	2.7 million rail containers crossed U.S. borders. INCREASE IN INSPECTIONS FROM 2002: 68%
TOTAL	25.1 million border crossings for all modes. NUMBER OF INSPECTIONS: 1 in every 5 movements



C-TPAT importers are four to six times less likely to incur a security or compliance examination than non-members.

and Drug Administration and the Consumer Products Safety Commission work with Customs and look at the information that's transmitted prior to arrival. And more federal agencies are applying for the authority to look at the data."

KEEPING AN EYE ON DETAILS

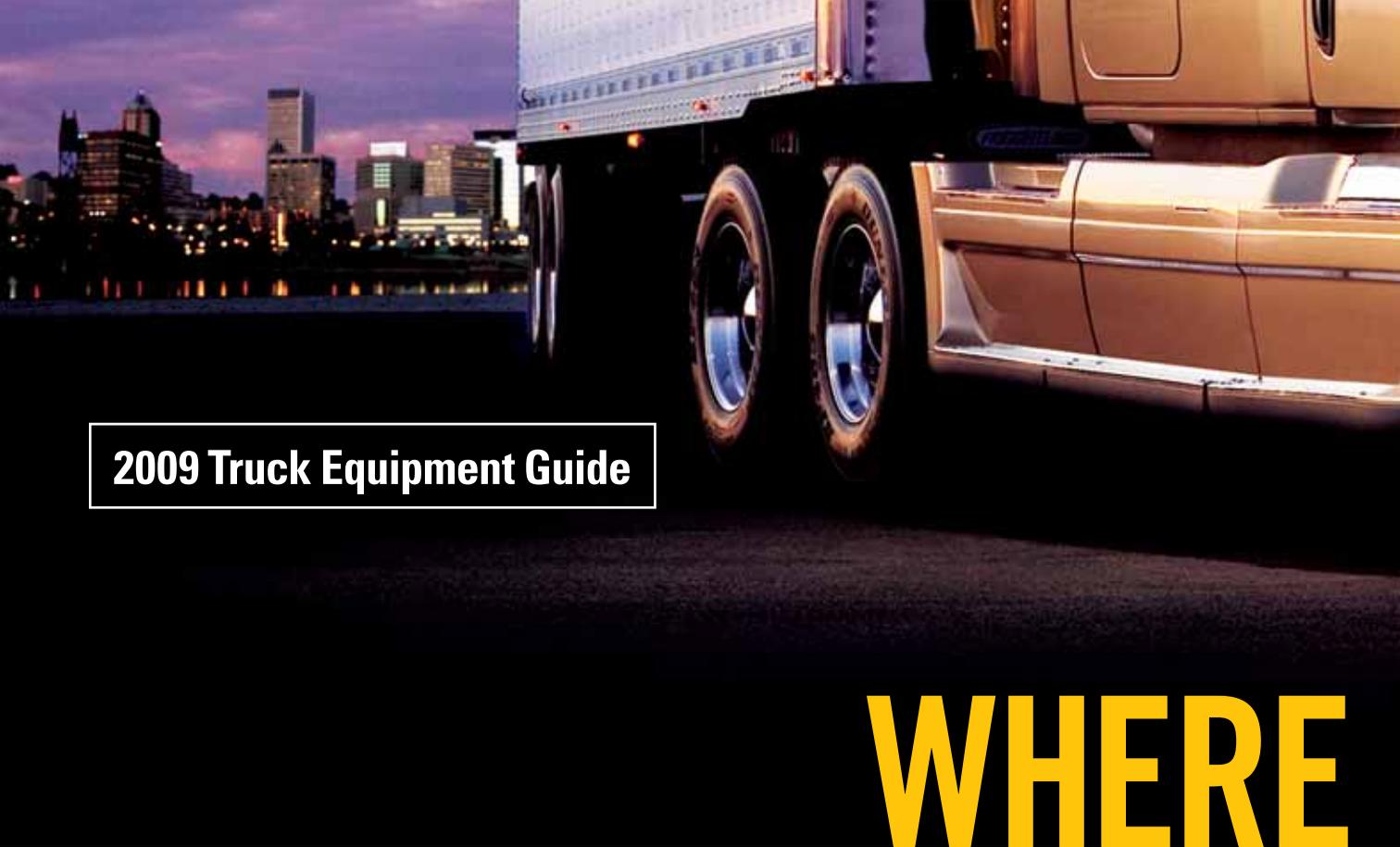
Beyond these major categories, shippers and importers dealing with Customs need to be aware of a variety of issues that are often overlooked.

Assists. "Assists are when either domestic or foreign articles, such as tools, are purchased for the purpose of producing parts," explains McCracken. "They are often not amortized within the product price, but are paid for separately and never mentioned or thought of. But those articles are dutiable upon the first importation. It's a complex area that is often missed, and it leaves the importer in a vulnerable position."

Special requirements. Some goods, including bearings, steel, and textiles, have unique requirements. Importers need to determine if their products warrant special documents.

Importers also need to be aware of anti-dumping laws, as well as trademark and copyright restrictions. "Importers should also consider buying and selling commissions, third-party transactions, royalties, and terms of sale," McCracken says. "They need to know what the exporter and shipper are responsible for. It's all basic, but important, information."

While it may seem that no shipper or importer could ever master all the details necessary to remain in consistent compliance, the consequences of noncompliance are simply too daunting to risk. The best advice is to start gathering information, employ whatever help you need, and pay attention as things change. The resulting smooth sailing—or flying, or driving—will prove worth the effort. ■



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BY JOSEPH O'REILLY

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LEGEND:

GVWR	Gross Vehicle Weight Rating
GCWR	Gross Combined Weight Rating
BBC	Bumper-to-Back-of-Cab Dimensions



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TYPE:	Aerodynamic conventional day cab, sleeper cab
GVWR:	35,000 to 71,000 lbs.
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BBC:	125"
ENGINE:	Detroit Diesel Series 60 445 to 515 hp; Detroit Diesel Series DD15 455-560 hp; Mercedes-Benz 4000 370 to 450 hp; Caterpillar C15 435 to 550 hp
TRANSMISSION:	Eaton Fuller 10-, 13-, and 18-speed manuals; Eaton Fuller UltraShifts, AutoShifts
FRONT AXLE:	12,000 to 14,700 lbs.
REAR AXLE:	23,000 to 46,000 lbs.

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Columbia

TYPE:	Aerodynamic conventional day cab, sleeper cab
GVWR:	46,000 to 64,000 lbs.
GCWR:	140,000 lbs.
BBC:	112", 120"
ENGINE:	Detroit Diesel Series 60 425 to 515 hp; Detroit Diesel Series DD15 455 to 560 hp MBE 4000 350 to 450 hp; Caterpillar C13 305 to 470 hp; Caterpillar C15 435 to 500 hp

TRANSMISSION:	Eaton Fuller 10-, 13-, and 18-speed manuals; Eaton Fuller UltraShifts, AutoShifts
FRONT AXLE:	12,000 to 20,000 lbs.
REAR AXLE:	40,000 to 46,000 lbs.

The Columbia's aerodynamic styling reduces wind resistance and provides excellent fuel economy. The lightweight design enables the hauling of more payload. Available in a 112-inch or 120-inch BBC with 7-Day Cab/SleeperCab configurations, the Columbia can be customized to meet unique requirements. Adding to the Columbia's efficiency are fuel economy, ease of maintenance, and overall lower cost per mile.



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W900

TYPE:	Traditional conventional day cab, extended day cab, sleeper cab
GVWR:	35,000 to 89,000 lbs.
GCWR:	80,000 to 200,000 lbs.
BBC:	120", 130", 136"
ENGINE:	Cummins ISM 305 to 410 hp; Cummins ISX 385 to 600 hp; Caterpillar C13 335 to 470 hp; Caterpillar C15 435 to 550 hp
TRANSMISSION:	Eaton Fuller 9-, 10-, 11-, 13-, 15-, and 18-speed manuals; Eaton Fuller 10- and 18-speed AutoShifts; Eaton Fuller 10- and 13-speed UltraShifts
FRONT AXLE:	12,000 to 22,000 lbs.
REAR AXLE:	23,000 to 58,000 lbs.

Suitable for line, regional, bulk, and heavy haul applications, the Kenworth W900 provides comfort, reliability, and performance in a traditional package. From the rugged loggers to the luxurious long-haul sleeper configuration, this truck is designed to deliver.

Hino

www.hino.com

Hino 338CT (City Tractor)

TYPE:	Conventional
GVWR:	33,000 lbs.
GCWR:	48,000 lbs.
BBC:	108"
ENGINE:	Hino J08E-TW turbocharged intercooled diesel 260 hp
TRANSMISSION:	Eaton Fuller 6-speed manual; Allison 5-speed automatic





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FRONT AXLE:	12,000 lbs.
REAR AXLE:	21,000 lbs.

The Hino 338CT is designed to leverage fuel economy and power. It also provides standard driver conveniences such as cruise control, an air suspension driver's seat, CD player, exhaust brake, driver information display, and a tilt and telescopic steering column. More than 4,500 inches of cab glass and a high seating position enable excellent driver visibility.

Sterling

www.sterlingtrucks.com

Acterra

TYPE:	Conventional
GVWR:	18,000 to 26,000 lbs.



BBC:	106"
ENGINE:	Cummins ISB 200 to 300 hp; MBE 900 190 to 250 hp; Cummins ISC 240 to 330 hp
TRANSMISSION:	Eaton Fuller 5- and 10-speed manuals; Mercedes-Benz MBT 6-speed manual; Eaton Fuller 10-speed AutoShift; Allison automatics
FRONT AXLE:	8,000 to 12,000 lbs.
REAR AXLE:	13,000 to 23,000 lbs.

From box truck to pickup and delivery van, the Acterra, with a Class 5-8 operating range, handles like a pickup, but has the strength of a larger truck. The medium-duty Acterra offers power, cab room, and visibility. It's easy to get in and out of, and easy to drive—thanks to

a 106-inch BBC, 55-degree wheel cut, standard automatic transmission, and sharply sloped hood and large windshield area.

Set-Back L-Line

TYPE:	Conventional day cabs, sleeper cabs
GVWR:	27,500 to 72,000 lbs.
GCWR:	120,000 lbs.
BBC:	113", 122"
ENGINE:	MBE 900 190 to 250 hp; Detroit Diesel DD13 350 to 450 hp; Detroit Diesel DD15 455 to 560 hp; Caterpillar C13 305 to 470 hp; Caterpillar C15 435 to 500 hp
TRANSMISSION:	Eaton Fuller 5- to 18-speed manuals; Eaton Fuller AutoShifts; Allison automatics
FRONT AXLE:	10,000 to 22,000 lbs.
REAR AXLE:	17,500 to 58,000 lbs.

Set-Back L-Line trucks are the Sterling work-horses—tough, dependable, and efficient. With a wide range of engine choices, lighter and tougher frames, and suspension offerings that range from standard-duty to severe-duty, the Set-Back L-Line can meet many challenging work applications.

Volvo

www.volvo.com/trucks

VNM 200

TYPE:	Aerodynamic conventional day cab
GVWR:	54,600 lbs.
GCWR:	80,000 to 120,000 lbs.
BBC:	114"
ENGINE:	Volvo D11 325 to 405 hp; Volvo D13 335 to 485 hp
TRANSMISSION:	Volvo 12-speed I-Shifts; Eaton Fuller 7-, 10-, 13-, and 18-speed manuals; Eaton Fuller AutoShifts, UltraShifts; ZF Meritor FreedomLine 12-speed manual; Allison 5- and 6-speed automatics
FRONT AXLE:	12,000 to 13,200 lbs.
REAR AXLE:	22,500 to 40,000 lbs.

The Volvo VNM 200 works well for short-haul duties that start and end each day in the same city. Lightweight and aerodynamic, this model saves time and money on every run.

LEGEND:

GVWR	Gross Vehicle Weight Rating
GCWR	Gross Combined Weight Rating
BBC	Bumper-to-Back-of-Cab Dimensions

**VT 880**

TYPE:	Aerodynamic conventional sleeper cab
GVWR:	53,200 lbs.
GCWR:	80,000 to 140,000 lbs.
BBC:	200"
ENGINE:	Volvo D16 500 to 600 hp; Cummins ISX 500 to 600 hp
TRANSMISSION:	Volvo 12-speed I-Shift; Eaton Fuller 10-, 13-, and 18-speed manuals; Eaton Fuller AutoShifts
FRONT AXLE:	13,200 lbs.
REAR AXLE:	38,000 to 40,000 lbs.

The Volvo VT series combines power and luxury. These premium-size trucks sport a high-profile look and abundant space, comfort, and storage. And whether your company requires a sleeper or a day cab, the Volvo D16 engine performs – with 625 hp and 2,250 lbs.-ft. of get-the-job-done torque.

Western Star
www.westernstartrucks.com
4900SA

TYPE:	Conventional
GVWR:	52,000 to 92,000 lbs.
GCWR:	80,000 to 250,000 lbs.
BBC:	109", 123"
ENGINE:	Detroit Diesel Series 60 425 to 515 hp; Caterpillar C13 305 to 470 hp; Caterpillar C15 435 to 625 hp; Mercedes-Benz 4000 350 to 450 hp
TRANSMISSION:	Eaton Fuller 10-, 11-, 13-, 15-, and 18-speed manuals; Eaton Fuller AutoShifts, UltraShifts; Allison automatics
FRONT AXLE:	12,000 to 22,000 lbs.
REAR AXLE:	40,000 to 70,000 lbs.

The Western Star 4900 SA is custom-built with a set-back configuration for off- and on-highway applications. The set-back axle results in a hood designed for enhanced aerodynamics, with a non-sloped hood available on the 123-inch BBC.



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847-920-9300
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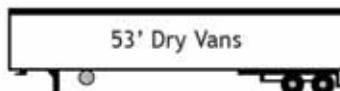
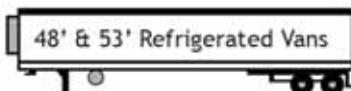
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A tradition bound in duct tape and glory, that pits the steel of man against the swerve of machine, with equal parts sweat and gears, has been a part of OHL's corporate fold for the past 17 years. With a little luck, a lot of skill, and a license to lift, the Brentwood, Tenn., third-party logistics provider's Top Gun Competition pits forklift operators from across the United States in a contest of skill, precision, and expertise.

The competition consists of a written test,

forklift inspection, and completion of an obstacle course. Contestants are awarded points based on knowledge, safety, skill, and ability.

The final stage of the Top Gun Competition involves maneuvering a forklift through a rigorous obstacle course—completing tasks such as moving a table set with china and champagne glasses, and balancing a beam on a small stand (*see photos below*). While time is a determining factor, skill and precision are paramount.



This year more than 250 participants from 13 states competed for the honor of being named OHL's Top Gun, but only one donned the leather bomber jacket. *IL* salutes winner **Terrence Alexander** (*right*), from the company's McDonough, Ga., location.

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