

Shipping and Security

Requirements Change; Adjustments Take Place

By Tom Schuman

Many Americans are aware of longer lines and an increased security presence at the nation's airports. While personal travel has become slightly more inconvenient since September 11, 2001, what has the impact been on the goods that Indiana companies ship to worldwide customers? (The state's \$14.9 billion in exports in 2002 was a 3.9% increase over the year before and the second highest total on record).

Reports from exporters, shippers, port officials and trade consultants offer similar conclusions: Security requirements have increased and likely will continue to do so. Proper planning and patience, however, should allow business to proceed as close to normal as possible.

Logistical changes

Kurt LaDow, operations manager for Eagle Global Logistics in South Bend, says his company specializes in shipments of more than 100 pounds. Air cargo, just like passengers, requires an earlier airport arrival.

Much of the extra logistics work comes in preparation.

"We have to verify that they are known shippers. We have to do background checks on customers, visit sites to get signed off verification forms," he explains.

The work gets a little trickier with ocean freight. Imports that once **may** have been opened for inspection upon arrival now require notice of who the customer is and what the shipment includes 24 hours before loading.

LaDow believes there has been an equal impact on his company and the customer.

"We're ultimately responsible as the freight forwarder, but the customer has to provide the information to us," he says. "Customers have to be more proactive. It's added to the paperwork, and it may add a day or two here and there to shipments."

Much of the adjustment for Eagle Global has been internal. Seminars, conference calls and other education procedures have increased substantially.

"There is a lot of compliance training – everything from where drivers pick up freight to where they get it signed for," LaDow reports.

The security procedures are constantly changing. Discussions of implementing the 24-hour waiting period for air freight have LaDow most concerned.



“Air freight is air freight. It needs to be quick,” he claims. “If any 24-hour waiting periods come in, there are going to be serious problems.”

Port of call

As executive director of the Ports of Indiana, Will Friedman notes that security has always been a front-burner issue. The state agency operates Indiana’s International Port at Burns Harbor (Portage), as well as Clark (Jeffersonville) and Southwind (Mount Vernon) Maritime centers on the Ohio River.

“Our ports are a little different than the coastal sea ports. Barges or ships that come to our ports have already made a lot of stops at other U.S. locks or ports,” Friedman explains. “In and of itself, that mitigates some of the security risks.”

Burns Harbor is a completely fenced-in facility, with a security manager on patrol and private security under contract. Clark and Southwind were both built with public streets intersecting the ports in a setting similar to an industrial park. Each tenant secures its own premises.

A new program instituted since 9/11 is called Port Watch. Port workers and employees of all tenants are instructed how to be on the lookout for suspicious activities. They are issued a card listing what to do and who to contact if they see something out of the ordinary.

“People out there working are our best defense,” Friedman maintains.

Nevertheless, by the end of the year, federal port security plans must be in place. The Ports of Indiana recently received a \$68,800 federal grant to assist in development and implementation of that plan.

Friedman says the steel and bulk commodities that dominate Indiana port shipments are not impacted a great deal by enhanced security measures.

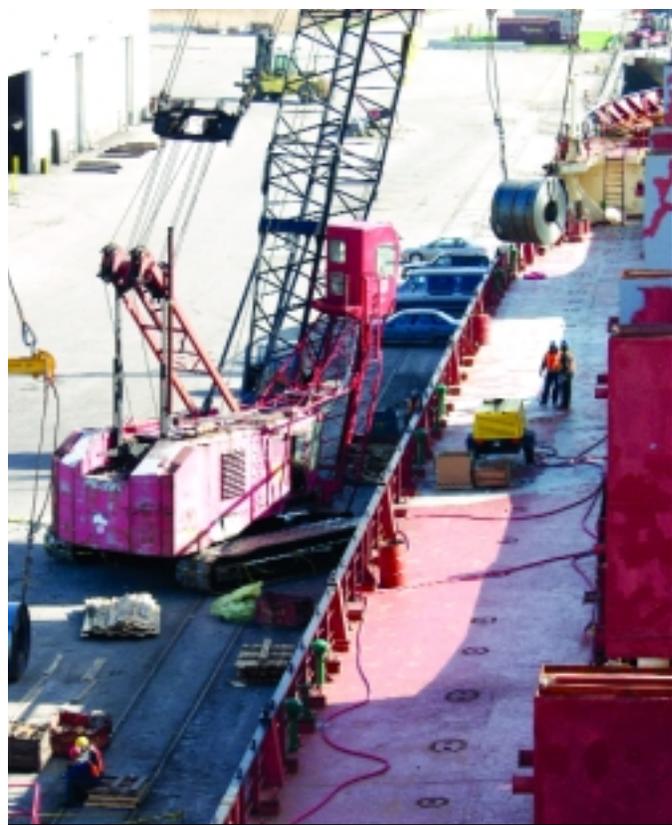
“Containers are the real problem. There are tens of thousands a day, and it’s impossible to open up and track each one,” he claims. “If you’re importing, you could see transit times go down or rates go up.”

Business near normal

Orie Fritts, president of Tradespan International, echoes the thoughts of LaDow and Friedman, but says modifications have been made.

“The biggest problem is how all the paperwork to customers must come much earlier than it used too. Most shipping companies have adjusted the flow of containers,” he contends, “and we haven’t had any major hiccups. Our inspections are going rather quickly as our product (furniture, hardwood, lumber, etc.) is not that sensitive.”

Rollpak Corporation in Goshen is a privately owned company that makes trash bags for industrial markets. It sells its products in 35 states as well as Canada and Mexico. It purchases equipment from Europe and raw materials from both the Middle East and Far East.



Steel and bulk commodities dominate the shipping activity at Indiana's three ports.

"Containers coming in to us take a little bit more time," company president Dale Weaver says, explaining that in his industry European companies are highly respected for the quality of equipment that they produce. "It's been a little erratic. Initially, there was as much as a two-week delay."

Weaver, who lived in Europe for 15 years, doesn't consider the delays a major impediment. Some planned sales trips to Saudi Arabia and China, however, have been put on hold.

Health concern

Weaver was not planning a return trip to China during the SARS outbreak.

Fritts, who makes a trip to the country approximately every six weeks, believes the health threat was overplayed in the media.

"I don't know anybody who got SARS, and I don't know anybody who knows anybody who got SARS," he says. "I did take precautions. I wore a mask in public."

Extra precautions are taken with international vessels that come into port at Burns Harbor. Crew members are not allowed off the ship unless they have a visa.

War, potential terrorism and health threats were not the biggest factors impacting Japanese trade in the last two years. Consultant Larry Ingraham asserts that the West Coast dock strike in 2002 proved to be more than a minor inconvenience.

"Japanese companies had to resort to air shipments of parts and other products," Ingraham says. "They don't want to be in that vulnerable position again, not having control. I think you'll see more Japanese companies invest in the U.S. and make their parts here."

Border patrol

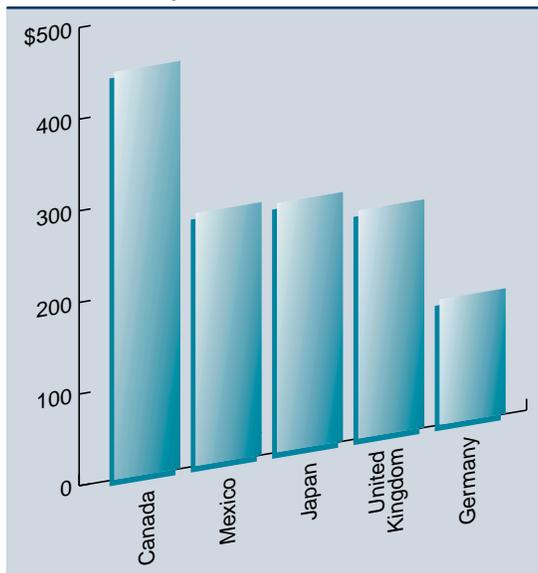
A Smart Border agreement between the United States and Canadian governments has kept goods moving between the two countries, while enhancing security. The 30-point plan includes FAST (Free and Secure Trade) and NEXUS programs to allow goods and persons, respectively, to continue to cross the border with minimal delays.

"A smart border is one that is not only secure, but efficient. There is no trade-off between the two," says Rocco Delvecchio, consul general of Canada. "We're not spending a lot of time inspecting trailers from DaimlerChrysler at Windsor, but focusing resources on those transactions that are less well known."

There is anecdotal evidence, Delvecchio adds, of border crossing procedures that have "never been faster."

U.S. Transactions with Leading Partners

Exports and imports, goods, services and income (2001, in billions of U.S. dollars)



Source: U.S. Department of Commerce

Personnel delays

Faster is what Fritts would like to see when it comes to the process of allowing people into the U.S. for legitimate purposes. The former Immigration and Naturalization Service, now part of the Department of Homeland Security, doesn't appear to answer to anyone, he claims.

"Getting people over here for training is very difficult. Since 9/11 it's been almost impossible to get visas for people who don't regularly come here," Fritts says. "They don't seem to go to any trouble to check things out. They just turn it down, because of numbers, in a couple of minutes."

People and products. Paperwork and protocol. The rules of the game have changed. But the game goes on and global opportunities continue to grow for Indiana companies. Those that adjust are in line to benefit the most.

INFORMATION LINK

Resources: Eagle Global Logistics at (574) 247-2450 or www.eaglegl.com

Ports of Indiana at (317) 232-9200 or www.portsofindiana.com

Tradespan International at (812) 375-9500 or www.tradespan.com

Rollpak Corporation at (574) 533-0541 or www.rollpak.com

Ingraham & Associates at (317) 573-8296 or www.ingrahamandassociates.com

Canadian consul general at (313) 446-7010