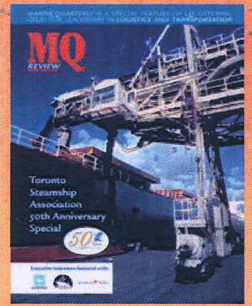


LQ™

INSIDE:
MQ REVIEW
*A Special Marine
Quarterly Report*
www.MQReview.com

PAGE 17



Michael H. Belmer,
*President and Chief Executive Officer,
Montship Inc.*

Geoffrey (Geoff) A. Bennett,
*President and Co-founder,
Kelron Logistics*

David J. Closs, Ph.D.,
*LQ Executive Editor,
Michigan State University*

John M. Cutler Jr., *General Counsel
NASSTRAC and a Principal of McCarthy,
Sweeney & Harkaway, PC*

Jim Davidson, *CEO, Wheels Group*

Bill Graves, *President and
Chief Executive Officer,
American Trucking Associations*

Wim Lagaay, *Senior Vice President and
Area Operations Manager, Maersk Line*

Keith Matthews, *Executive Vice President
and Co-Chairman, & Co-founder,
Kelron Logistics*

Chris Norek, Ph.D.,
*Founding & Senior Partner
with Chain Connectors, Inc.*

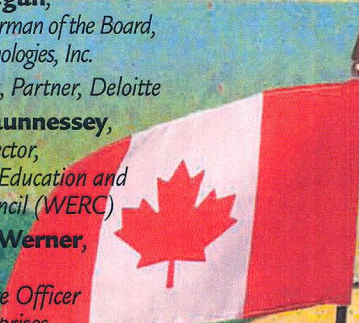
Michael Regan,
*CEO and Chairman of the Board,
TranzAct Technologies, Inc.*

Kurt Ritcey, *Partner, Deloitte*

Robert Shaunnessey,
*Executive Director,
Warehousing Education and
Research Council (WERC)*

Gregory L. Werner,
*President and
Chief Executive Officer
Werner Enterprises*

Trans-border Trade: A New Era of Security



Ever since that fateful day of 9/11 everyone is acutely aware of the paramount need for increased security to monitor trans-border trade. Granted not every logistics company wants to deal with the escalating risks and responsibilities of trans-border trade. Consequently trans-border shipping has become a logistics specialty executed by only the most patient, skilful, knowledgeable and compliant of transportation companies.

The business of trans-border transportation is not for sissies. It's a risky and expensive business with serious ramifications. The story I'm about to tell reveals just how serious.

In writing about trans-border trade I am referring, of course, to the border between Canada and the United States. The incident I describe took place at the Ambassador Bridge in Windsor, North America's most travelled gateway of commerce. But first some background information that sets the scene.

The Canadian and U.S. governments are justifiably preoccupied with border security. Programs have been developed to expedite the process by which legitimate carriers can cross the border with relative ease. In Canada Partners in Protection (PIP) is a goodwill agreement between private enterprise and the government via the Canada Border Services Agency (CBSA) designed to enhance border security, combat organized crime and terrorism, increase awareness of customs compliance issues and help detect and prevent contraband smuggling. By signing a Memorandum of Understanding a company commits to working with the CBSA to achieve these security objectives. The resulting benefits for the company include improved security procedures, better familiarity with customs requirements and faster processing for border crossings by both freight and people. In the United States the corresponding program is entitled Customs Trade Partnership Against Terrorism (C-TPAT) and functions much the same by strengthening overall supply chain and border security.

Over and above these home grown programs is Free and Secure Trade (FAST) a bilateral initiative between Canada and the United States designed to maximize security and safety. The economic prosperity of both countries is safe guarded through the use of common risk-management principles and security measures and advanced technology to improve screening and clearing of commercial traffic across the border. Choosing to work with government in these ways enhances corporate reputation and credibility by actively demonstrating commitment to a secure trans-border supply chain.

In order to achieve a FAST designation, a Canadian carrier must first participate in the PIP program. However, participation in PIP does not guarantee a FAST designation.

FAST is an ambitious and far-reaching program that will make or break a carrier's ability to participate in trans-border trade. Earning a FAST designation gets you across the border more quickly and efficiently. Make one mistake, one error in judgement that threatens your designation and you'll find yourself at the end of a very long line-up trying to make up for lost time, lost revenues and damaged reputations — not to mention the threat of homeland security preventing future entry into the United States.

Now that I have given you the alphabet soup of security programs that make trans-border trade possible, let me tell you

what happened when a FAST designation was temporarily lost.

Like most aspects of the transportation industry, a secure run across the border depends very much on the virtues of the driver. Often more attention is paid to the driver (and the company he represents) than the contents of his trailer — a reality that strikes at the heart of what recently took place.

Consider for a moment what happens when a supposedly trustworthy driver takes a very wrong turn. Someone who is rigorously screened by both Canadian and U.S. governments and by his employer, is well-trained and believed to be a law-abiding citizen, suddenly steals the company rig to transport illegal drugs across the border. Naturally he gets caught.

This is definitely a bad news story but what makes it so gut-wrenching is the fallout. This guy getting caught and jailed was only the beginning.

As a direct result of this one man's criminal action the carrier (a multi-national logistics company and a major participant in trans-border trade) immediately lost its FAST designation. The carrier in this case is presumed to be guilty or non-compliant until proven otherwise. There is also no separation between the driver and the company, all are presumed to be non-compliant. Remember that long line-up I mentioned earlier? Well, this company with all of its efficiency and excellent reputation was now at the back of the line. Consequently all of their drivers, trailers and payloads were held at the Windsor/Detroit border. One of the shipments held just happened to be destined for General Motors. When GM didn't get the parts shipment from Canada that they needed, their manufacturing facilities were forced to temporarily shut down. Needless to say just-in-time production scheduling leaves no room for the penalties of criminal activity by one rogue driver.

The consequences for all concerned were immediate, expensive and fraught with lawsuits. Unwilling to risk any costly delays in the future, GM took their shipping business elsewhere. The carrier, in addition to losing millions in revenue, has to date spend over \$60,000 in legal fees to regain their FAST designation, with lawsuits against the owner/operator and his driver still before the courts.

The moral of the story? Participation in trans-border trade is a hard-earned privilege that is not to be taken for granted. Of course you can never predict criminal intent or actions on the part of a driver, but when it happens, act swiftly and decisively to counteract the wrongful behavior. You've got a corporate reputation to protect. Not to mention the partnerships with government agencies and a commitment to trans-border security to uphold.

Thankfully this particular incident didn't put anyone out of business but it certainly could have. Respecting the commitment to border security was, and is, paramount for all involved. Again, one man's actions could have derailed the careers and livelihoods of hundreds of honest, committed, compliant, hard-working people who got caught up in the calamity of his poor judgement. If not for the prompt and determined actions of the carrier to clear their name, this could have been one painful, far-reaching disaster.

By the way, in case you are wondering how I know so much about this particular case then let me confess. We were the carrier.