

# Torpedoes that can Sink Your Supply Chain Battleship

*Isn't it interesting that human beings and companies sometimes will sometimes overlook or ignore things that threaten their personal or professional existence?*

by Michael Regan

SINCE THIS IS A LOGISTICS publication, we'll skip the personal and focus on things that threaten corporate supply chains. In my speech "Torpedoes that Can Sink Your Supply Chain Battleship," we discuss that logistics and supply chain professionals need to know the implications of critical issues that affect their supply chains. What do these critical challenges look like?

While we could choose from a lengthy list, three imperative issues for supply chain professionals include:

- Continuing emphasis on U.S. security initiatives
- Runaway legislation that will adversely affect carriers and shippers
- The next Highway Bill and its reliance on user fees

## **Security Initiatives**

Effective January 26, 2009, the Importer Security Filings, or '10+2 Initiative' went into effect. The US CBP now requires importers to file twelve (or 10+2) elements of data for each transaction with CBP before a container may be loaded at the point of origin .

Additionally, C-TPAT, which is now voluntary, may become mandatory for U.S. companies who import products. And of course there are the Scan All requirements which call for 100% screening of air cargo by 2012.

These programs will affect importers, so you would think there would be a greater understanding of the impact on their supply chains; unfortunately that is not the case. Some larger companies are promoting awareness, but very few small to mid-sized companies know how much these programs can impact their operations.

For example, when I asked the CEO of a multi-billion dollar company how his company was doing with 10+2 and/or C-TPAT compliance, he had no idea what I was talking about. He soon discovered that no one is currently studying these issues.

Going forward, supply chain professionals must recognize that security issues will only grow in importance.

## **Runaway Legislation and Federal Rules Affecting Transportation**

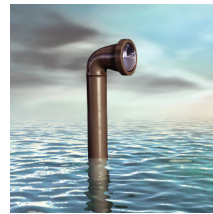
Let's update that old adage that no one's wallet - especially this year - is safe when Congress is in session. You can now add supply chains to that list of things that can and will be affected by this Congress and regulatory agencies that issue Federal Rules.

For a small sampling, there is the Employee Free Choice Act (or Card Check), Lacey Act, SHIPA, TRUCC, Hours of Service, Clean Air Act and carbon taxes, plus all the aforementioned security issues. Add it all up, and carriers and shippers are looking at legislation that will either slow down supply chains resulting in increased inventory carrying costs, or significantly increase the costs associated with moving goods through your supply chain.

That is why we are passionate about the need for professionals to support industry associations? Associations like NASSTRAC, the NIT League, CSCMP/TIA, AST&L, and other industry groups do a great job of educating shippers and providing strategies to address these issues.

## **The Next Highway Bill**

The current Highway Bill, SAFETE-LU expires on September 30, 2009. The



House Transportation Committee, chaired by James Oberstar (D-MN), has signaled its intent to have a new Highway Bill ready for debate this summer. Whether they meet that deadline is not

important. What everyone needs to pay attention to is how much it will cost and how it will be funded. The estimates for the next Bill will run anywhere from \$500 Billion to over \$1 Trillion – that is a big increase over the \$286 Billion for the current Highway Bill!

How will this Bill be funded? We're recommending that people get used to the term "consumption based pricing." In short, whether it's an increase in the fuel tax, or the increased use of tolls (for example, on existing interstate highways that are presently not tolled), higher tolls, or a vehicle mileage tax, it will cost a lot more to use our highways. Funding for this highway bill could increase shippers costs by 3% to 5%.

## **Summary**

Years ago, a mentor talked about the importance of continuously scanning the environment to look at threats to the business. His point was that companies can eliminate surprises if they look at what is happening and ask: "How will this impact my business?"

Each one of the factors noted above can, on a stand alone basis, significantly impact your supply chain. Combined, they can determine the success or failure of your business. For this reason, we continue to encourage people to get informed about the issues, and then get involved in developing comprehensive action plans to address the challenges ahead.