

The silver lining to the security era

Trade compliance technology can offer another way to demonstrate best practice and a channel to add value and differentiate from the competition, writes Barry Williams

As I write this piece, security – or rather, the perceived lack of it – is once again the story of the hour. With unprecedented levels of surveillance at airports, neither passengers nor BAA personnel can afford to make a mistake. Not having the correct paperwork, or merely possessing a document that is in any way inaccurate, or out of date, is no longer a matter for discretion at check-in or the boarding gate. In reality, the movement of people has suddenly become just as tightly regulated as the movement of goods.

What does this mean for your business?

Devising a secure supply chain is at the top of the list of priorities for many companies operating in the global market. The need for greater transparency, accountability and control over logistics, accompanied by legislation such as the progressive modernisation of Customs processes and procedures across Europe, presents the business community – including BIFA and its membership – with a new and unique set of challenges and opportunities.

Allied to this is the inevitable and continuous drive towards low-cost sourcing of goods from overseas, most particularly from China and India. Companies are now managing an extended geographical supply chain from order placement, manufacture and delivery through to the shop floor. It is frequently a complex international task, involving many parties that may or may not be completely unknown to the shipper. The risk here is that the drive to realise cost savings at one end of the supply chain may have significant repercussions elsewhere, particularly if the commodities being shipped have dual-use or military capabilities,



ties, or if the prospective trading partner has been cited on a government sanctioned or restricted party list.

The consequences of such mistakes can be severe. The US headquartered Bureau of Industry and Security (BIS) handed down 30 criminal convictions and 60 civil actions, totalling \$14million in fines in 2005 for illegal exports, mostly involving weapons proliferation. Similarly, the Sarbanes-Oxley Act of 2002 holds company directors personally liable for trade compliance breaches and unethical import and export activities. For those whose operational or business processes fail to spot these potential breaches, brand equity, shareholder value, and export privileges are very much at risk.

So what is the solution?

Security can only be achieved with information. It needs to be accurate, timely, comprehensive and it needs to be completely

dependable throughout the lifecycle of the consignment.

The role of BIFA members in this scenario is both that of a data creator and manager, as successful execution is totally dependent upon the right information being provided to the right person at the right time by every party along the supply chain. While this is not in itself original, the impact of governmental, legislative and regulatory changes since 9/11 means that the informational demands on logistics providers are much more comprehensive and rigorous than before.

From a regulatory perspective, the use of information technology is now critical, and in some cases, mandatory. This means that historic manual and paper-based processes such as spreadsheets and faxes no longer serve a useful purpose. Logistics providers need access to comprehensive, accurate and up-to-date trade content that integrates with the business process in order to keep pace with constantly changing import and export controls, global HS product classification, Customs documentation, licences and permits, as well as the ability to screen the prospective importer against all government restricted party lists. This helps to eliminate rekeying errors and omissions, and dramatically improves the efficiency and speed of each transaction.

On-demand trade compliance systems currently exist that offer affordable, secure online query and response capabilities within seconds, enabling the user to avoid potential fines, sanctions or delays at Customs.

Moreover, there is growing evidence that by demonstrating 'intent to comply' through electronic import and export protocols, and by adopting the type of processes that are aimed at preventing fraud and malpractice, Customs officials are more likely to take a more lenient view at the border.

All of which means that trade compliance technology may well offer BIFA members another way to demonstrate best practice, and in what remains a rapidly consolidating industry, a new channel to add value to customers and differentiate from the competition. ■

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