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Time to Revisit C-TPAT



C-TPAT requires security at all levels

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The following article was written by Terry Nusyna and James Turner of TN Security Intelligence Group.

You may have received a letter from one of your business associates requesting information about your security status or enquiring whether you are a Customs-Trade Partnership Against Terrorism (C-

TPAT) partner and at what tier level. Others may have discovered clauses built into their contracts with clients or supply chain partners which stipulate that they be C-TPAT partners.

If one of your trading partners is a C-TPAT member they must look at whether your company can meet

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Focus on China

Call it what you will- the world's factory, the Asian tiger, the fastest growing economy in the world- the fact is that China has and continues to dominate global trading news. The economic growth has

been explosive, growing an average of almost 10% a year.

Statistics Canada numbers show that imports from China to Canada

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The Rising Dollar

Canada recognizes that there are challenges inherent with a rising Canadian dollar but believes that the higher dollar is an accurate reflection of the strong domestic economy. In the past few months, Canada has seen record-breaking oil prices, rising demand overall for commodities, and positive economic news, all of which have supported the dollar in its upward swing. The robust Canadian economy and positive outlook mean that globally Canada is seen as a safe, solid place for foreign investment.

Importers, wholesalers and consumers will see an immediate benefit as they will now have more buying power. "It has had some effect operationally," says Ron Laitar, vice-president, strategic product sourcing, Hercules Tire International. "It has helped our Canadian division on purchases of U.S. goods they import into Canada." At the same time, the incredibly rapid increase in the value of the Canadian dollar has left many companies scrambling to cope with the new reality.

Small to medium sized enterprises (SMEs) will need to continue to develop global strategies to take advantage of a higher Canadian dollar while mitigating the risk of depen-

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the necessary security requirements to ensure they maintain their own tier level as a C-TPAT member.

A supply chain partner with a high or unknown security risk could compromise their trading partner's business by thwarting the movement of their partner's products across borders. Unfortunately, such delays can hurt their trading partner's client base.

Security is now everyone's business. Your company's ability to meet security requirements under programs such as C-TPAT is critical to maintaining business ties with your current trading partners. In fact, the future of your business may depend on it. That's why it's time to reconsider C-TPAT and the Partners in Protection (PIP) program.

The strict security requirements linked to border security programs introduced after 9/11 will not be lifted or weakened. In fact, the minimum security requirements under C-TPAT have become more onerous since 2002. I predict that the C-TPAT validation process will also become more difficult for businesses as a growing number of validators are trained to assess companies.

As stringent security requirements are not going away, it's critical that you prepare a proper foundation for the security of your business and your staff. By joining C-TPAT, you can demonstrate to U.S. Customs and Border Protection (CBP) that you can be counted on as a partner who is looking out for security anomalies.

If you can build confidence in your company's ability to help secure trade, you will find that your load will likely not be the one that sits on the dock or becomes mired in a long line-up of vehicles at a land border crossing in the event of a high security alert, which typically triggers more intrusive searches



Terry Nusyna and James Turner of TN Security Intelligence Group

and delays.

The C-TPAT validator will not provide you with a security assessment or tell you where you can find all of your company's weaknesses. Over time, as the validator becomes more familiar with your business and your business locations, anomalies in your security practices will begin to surface, which may not have been apparent during the first validation. Therefore, don't assume you can avoid making certain changes if some weaknesses were not evident to the validator during the first validation or you couldn't find a suitable category in the C-TPAT questionnaire to address one of your concerns.

It's important not to lose sight of the purpose behind C-TPAT. We are trying to secure our nations as real threats are all around us. We can't assume that there are enough security professionals around the world to protect everyone. Nor can we turn a blind eye to security concerns in the hope that someone else will take care of them. Security is now everyone's responsibility and we all have a role to play. Being aware of our own weaknesses and having a solid plan in place to address those weaknesses is the only way we can

prevent unsavoury characters from taking advantage of our loads or our staff to achieve their goals. Who are we fooling if we manage to achieve C-TPAT certification while leaving our businesses vulnerable to security breaches?

If you avoid undertaking a thorough security assessment to gain a full understanding of the changes you need to make, you could jeopardize your company's future, which would be a lot more costly than a comprehensive assessment and the creation of a proper security program in the first place. Input from a security professional who understands the C-TPAT program and the very latest developments in security solutions is a small investment when you consider how much it will save you in the long term.

Some companies are trying to avoid this initial investment by counting on staff members who lack security expertise to answer security access questionnaires. These people often miss the most vulnerable aspects of their business. U.S. CBP provides companies with a list of questions that is meant to be used only as a guideline. The danger inherent in circulating a questionnaire throughout your company to gather information for your C-TPAT application is that you may have overlooked a weakness when completing the questionnaire. What will happen to your security plan if you have missed a critical factor? It's like building a house without a proper foundation.

Not all of your security weaknesses require money to fix. An experienced security professional will be able to provide you with money-saving solutions. Keep in mind that when you deal with companies that sell security hardware, their mandate is to sell to you. Many of the people who sell security hardware know a lot about their equipment,

Shipping and Trade Horizons



Leo Ryan

Shipping and Trade Horizons, a Tradeweek column, is produced by Leo Ryan. The column addresses Canadian industry issues and trade developments of interest to our members.

New Shipping Dynasty on The Rock?

Although Canada does not figure among the top ten shipping nations of the world, our marine industry plays a critical role in the Canadian economy - most often as a niche player, whether it be in services to the Arctic, the Great Lakes/Seaway corridor, the east and west coasts.

The niche business sometimes presents opportunities for family entrepreneurs. In recent times, most well-known examples have included the Martin family interests in Canada Steamship Lines (today owned by Paul Martin's three sons) and the Pathy family ownership of Fednav Limited, largest ocean-going user of the Seaway.

Further east, Newfoundland and Labrador has traditionally produced its share of marine industry entrepreneurs. In this regard, a recent development suggests a new shipping dynasty could soon arise on The Rock.

I am referring here to the family of Capt. Sidney Hynes, the leading fig-

ure in a newly-formed consortium that has offered to purchase Oceanex, the shipping firm providing a busy, regular container/ro-ro service between Montreal and Newfoundland.

The roots of Montreal-based Oceanex go back to the late 1940s, and the carrier went public in 1998. Indeed, Oceanex is a vital source of supplying consumer goods and offshore oil industry equipment for fast-growing Newfoundland and Labrador.

Oceanex Income Fund announced on Sept. 19 it has entered into a purchase agreement to sell its Montreal-Newfoundland service to a consortium in a transaction valued at about \$200 million. The deal is slated to close in November.

South Coast Partners Limited, the consortium named as the purchaser, is led by Capt. Hynes, who is chairman of St. John's-based Canship Uglad Ltd. which manages a fleet of 120,000-150,000 DWT shuttle oil tankers serving Newfoundland's booming offshore industry. Canship Uglad is a joint venture of Canship and of Norway's J.J. Uglad Companies.

The other partners in the consortium are OPTrust Private Markets group, which manages the pension fund of Ontario civil servants with a portfolio of \$16 billion, and Terrma Capital Corp, a private equity investment group.

Oceanex president and ceo Peter Henrico said that "Captain Hynes is very knowledgeable of our business and together with his financial partners, will ensure that Oceanex continues to be a transportation leader in Atlantic Canada."

Oceanex operates three ro/ro containerships on a year-round basis between Montreal and Newfoundland. Two of the vessels have

capacities of over 1,000 TEU. The carrier employs some 400 people in Montreal, Halifax (Nova Scotia) and St. John's and Corner Brook, Newfoundland.

Capt. Hynes said "we plan to build on this solid foundation by making the appropriate investments to not only continue Oceanex's current success but also to position the company for future, long-term success."

He has indicated that the consortium has deep enough pockets to finance the replacement of Oceanex's two older vessels and to build a strong, eastern Canada intermodal transport group.

In an interview with The Gazette of Montreal, Capt. Hynes also underlined: "We're in this for the long term and I hope my son, now 22, will take over from me."

Another Canadian shipping family to watch!

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but know very little about C-TPAT, terrorism and infiltration. Your C-TPAT security advisor should be able to answer your questions about access systems and procedures, employee hiring practices, container seals and the validation process.

Treat every location as a distinct entity and don't assume that a security plan designed for one location will satisfy the security issues at all your business locations. After performing over 150 C-TPAT and PIP security assessments, we have yet to see two situations that are alike, even within the same company. Bad guys will notice opportunities that may not be obvious to you. Your security breach vulnerabilities may be very subtle and difficult to imagine when you are a good, honest person.

Terry Nusyna and James Turner are

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dence on the U.S. market. Many companies have already adopted sophisticated business practices to address the volatility of the Canadian dollar.

"Although we pay for our imported goods in U.S. dollars and keep accounts in Canadian dollars, we have been managing and mitigating our currency risk through forward hedging," says Holly Buchanan, president, Buchanan Trading Inc.

The U.S. is still the destination for approximately 75% of Canadian exports, so a slowing American economy and a rising Canadian dollar is a concern for companies that export to the U.S. In the past, a low Canadian dollar sometimes masked inefficient manufacturing processes; the rise of the loonie makes it even more urgent for Canadian manufacturers to increase productivity and continue to invest in world class manufacturing processes.

"It has forced us to reassess our protein business by moving away from commodity-level products and up the value chain to focus on more sophisticated goods," says Rory McAlpine, vice-president, government and industry relations, Maple Lead Foods. "Previously, the low value of the currency protected manufacturers, making them complacent. We are now focusing more on how to raise productivity in our plants...[and] are accelerating automation."

There is a shift taking place in Canada's industrial landscape that must be addressed and supported by government policies. Manufacturers are changing the way they do business. Additional shifts, equipment upgrades to improve processes and the elimination of marginal product offerings are commonplace. Many companies are actively sourcing inputs from non-traditional global suppliers to lower costs, maximizing the increased

buying power of the Canadian dollar.

Still other Canadian businesses are closing their doors. Suppliers to Canadian manufacturers and exporters are dealing with a reduced customer base, forcing them to find new business opportunities or different niches.

But the news is not all bad. There is very high demand for Canadian commodities and energy from overseas markets that is not tied to U.S. demand for Canadian goods. Growth in global markets will continue to counteract the fluctuations in U.S. demand.

The import content of Canadian exports continues to rise; recent reports from the EDC showed that on average, the import inputs into Canadian products runs on average between 30 - 35%. In the auto and high tech sectors, the percentage is 50% or more. Savvy exporters can use global sourcing strategies to keep the cost of inputs low, thus reducing the overall cost of exported goods. The strong Canadian dollar has made this the perfect time for Canadian exporters to seek out new markets for import components and new markets for export.

Canadian exporters can also use the increased buying power of the Canadian dollar when it comes time to purchase new equipment. In fact, the EDC states that investment in machinery and equipment by Canadian manufacturers was up 8% in 2006. Manufacturers have been chasing productivity improvements through capital investments and will continue to do so.

Statistics from the Export Development Canada (EDC) show that Canada's GDP is 70% trade dependent. Canada is a trading nation and we rely on our importers and exporters to remain competitive. With supportive government policies in

place, and world class companies continuing to adapt to rapidly changing market conditions, a strong Canadian dollar will ultimately be a reflection of Canada's economic strength.

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totaled \$24.9 billion for the first three quarters of 2006. Canadians look to China for high tech and consumer products, while China looks to Canada mainly for commodities. In the first quarter of 2007, Canada's top three exports to China were wood pulp, nickel and alloys, and organic chemicals. Together these three commodities were valued at just under \$900 million, up 64.1% from 2006.

China is Canada's second largest trading partner after the U.S. Yet surprisingly, a recent survey by the Asia Pacific Foundation of Canada and the Canadian Manufacturers & Exporters showed that while 64 % of Canadian companies believe there are benefits to doing business in China, only 36% are currently doing so. It's apparent that while the benefits of doing business in Asia are clearly understood, many companies have yet to make the leap.

There are still many challenges to be faced when dealing in Asia. Issues such as counterfeiting and intellectual property require knowledge and vigilance. Cultural and political differences must also be taken into consideration, particularly in smaller, developing economies. Logistics and supply chain design are critical elements in containing costs and improving revenues.

Global trade can be incredibly complicated and unpredictable, but knowledge and planning can help mitigate the risks.

Let I.E.Canada help you navigate the waters. Our 76th Annual Confer-

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Member Profile



**CANADIAN
PACIFIC**

Canadian Pacific Railway Limited has been a member of I.E.Canada since January 2006.

The following profile was written by Elaine Holmes, director, international intermodal, Canadian Pacific Railway. In preparing the profile, Elaine answered a series of questions posed by Jane Carter of I.E.Canada.

About Canadian Pacific Railway
Canadian Pacific Railway Limited, through its subsidiaries, operates a transcontinental railway in Canada and the United States and provides logistics and supply chain expertise. They provide rail and intermodal transportation services over a network of approximately 13,300 miles, serving the principal business centres of Canada from Montreal, Quebec, to Vancouver, British Columbia, and the U.S. Northeast and Midwest regions.

What are the benefits of being a member of I.E.Canada?

The benefits that Canadian Pacific Railway finds in being a member of I.E.Canada is that they have the ability to increase awareness and educate others on our industry (rail transportation) and with end users provide information, receive feedback and promote more mutual understanding. Membership in I.E.Canada allows the Canadian Pacific Railway to have industry-related dialogue in a non-sales environment. We are given the ability to reach an audience of our customers' customers to improve two-way understanding while doing so in a manner that does not risk interfering in the relationship our customers have directly with their clients. There is also value in creating a network of individuals who can assist each other in addressing issues that

may arise through accessing the knowledge of those in the network.

How has the association helped your organization with respect to trade issues?

I.E.Canada helped Canadian Pacific Railway with respect to trade issues by allowing for an open dialogue in an industry setting based on developing a better understanding of the issues being faced by individual members.

What are the most valuable benefits you receive as an I.E.Canada member?

The most valuable benefits that we receive as a member of I.E.Canada that CP likes the best is the opportunity for question/answer sessions so they can better understand what is of concern/interest and provide whatever clarification and insights they can do to further our mutual understanding and ultimately achieve a stronger, more effective network.

What is the value of membership to a new importer/exporter business?

The value of membership to a new importer/exporter business is that you can build awareness of transportation issues and opportunities that would be helpful for new members as well as the opportunity for CP to gain knowledge of their business issues and risks.

Are there any issues your organization would like I.E.Canada to address in the future?

The issue that we would like I.E.Canada to address in the future is transportation infrastructure as it is a critical component for import/export success now and in the future. CP would like to see I.E.Canada remain vigilant in its support and proactive work to encourage various levels of government to make the necessary investments to ensure that this critical link does not negatively impact the contribution mem-

bers are making to the economic wellbeing of Canada.

Do you find our seminars and conferences beneficial to your organization?

I.E.Canada seminars and conferences are beneficial to our organization and for CP specifically we get more from the general sessions and the ones where there are options to choose from multiple sessions, as some topics are of greater interest than others (e.g.- the detailed customs ones are less relevant to CP although we do appreciate the importance to other organizations).

What is your role in your organization?

As Director International Intermodal, I am responsible for the International Intermodal line of business which focuses on import and exports in containers moving via the ports of Vancouver, Montreal, New York/New Jersey and Philadelphia. Our company provides inland transportation services by rail to and from our terminal network in Canada and parts of the US.

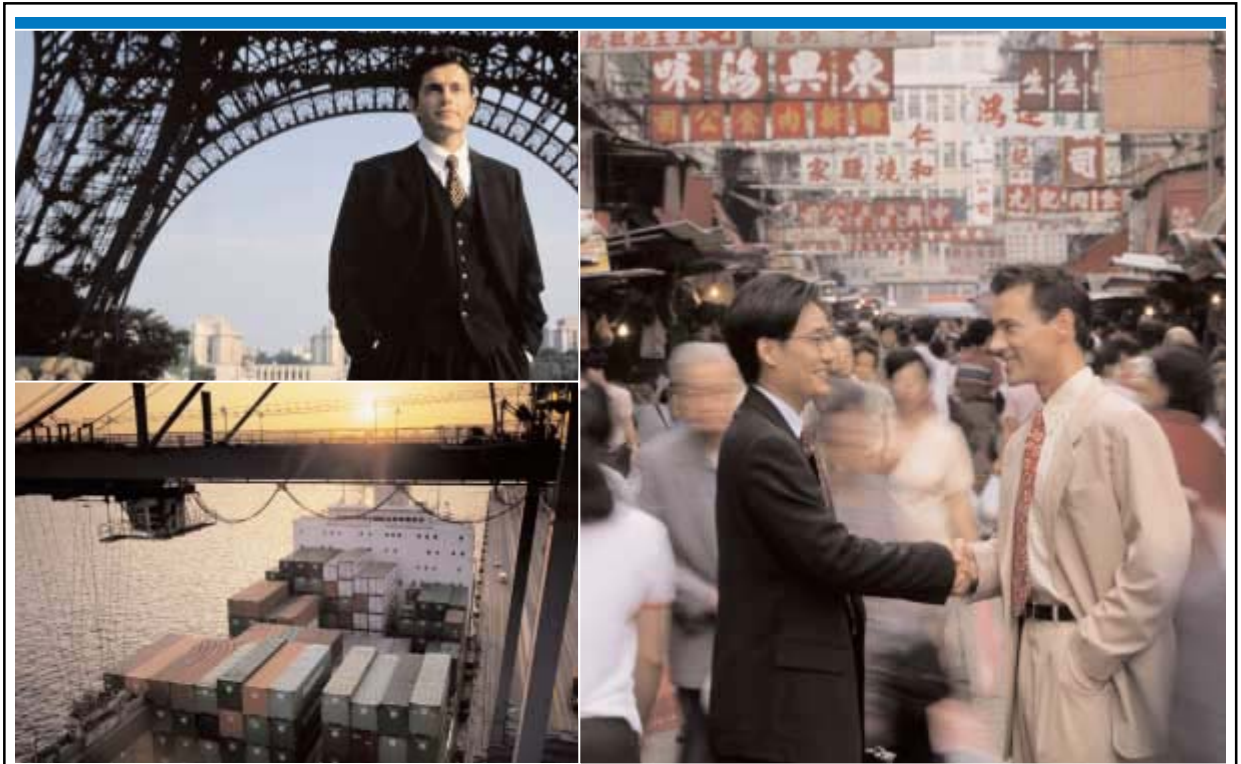
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ence will feature sessions on trade with China and other emerging markets. Be sure to join us on October 22 - 24 at the Doubletree International Plaza Hotel to find out the latest strategies for dealing with the Asian marketplace.

For more information, please contact Jason at 416-595-5333 ext. 37, or email us at conference@iecanada.com.

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security specialists in C-TPAT assessments and threat awareness training. For more information about TN Security Intelligence Group, please visit www.tnsecurity.ca or www.c-tpatsecurity.ca.



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