

Take the right Route

News and Views for the clients of Universal Logistics • Fall 2001

The logistics business after September 11

True or false? The logistics industry has returned to business as usual. The answer: false! There have been fundamental changes and new issues are emerging as the entire industry struggles to cope with the lingering aftershocks of the terrorist attacks on September 11.

"It's better to be realistic," notes Brian Rowe – General Manager, Customs and Consulting. "Don't assume that what worked before September 11 will work now. Too much has changed."

Following is a quick summary of the most important changes.

Air shipments

- * The days are long gone when you could arrange an air shipment in just a few hours. Most, but not all, carriers are now holding freight for 36 hours to allow inspection. It's expected that this policy will soon be adopted by all carriers.
- * Most airlines are applying new fees to cover the cost of increased security measures.
- * Sharply reduced consumer demand for air travel has forced the airlines to drop many flights. As a result, there has been a corresponding drop in the availability of space for airfreight. Once again, this has led to delays. Moreover, with the reduced availability of cargo space, basic airfreight

rates are expected to increase.

- * Customs has added more than 150 inspectors at the Toronto and Montreal airports and is spending an additional \$12 million annually on public security and anti-terrorism measures. See *Airport security enhancements* on page 2 for more details.

Truck shipments

- * Expect enhanced inspections of both cargo and passengers at all Canada/U.S. border points. Not surprisingly, traffic moving from the U.S. to Canada is moving much
- See "What has changed" on page 2



Sharply decreased availability of airfreight space is expected to lead to higher airfreight rates in the near future.

How we responded

When the first terrible images of the terrorist attacks were broadcast on September 11, it was clear that there would be major implications for the logistics business.

Two issues emerged almost immediately – the border between Canada and U.S. was closed and air flights were suspended. Both steps were understandable given the circumstances. But once the immediate threat was over, the restrictions were eased and eventually dropped and government leaders encouraged everyone to get back to business. However, it was far from *business as usual* (see *The logistics business after September 11*) and many, if not all, companies were unsure how to respond.

Recognizing that there was an information gap, we immediately began issuing email, fax and web site bulletins on the latest developments, such as the immediate situation at the Canada/U.S. border following the attacks, and the introduction of new charges, such as the *Security Charge* implemented by Air Canada on October 15, 2001.

"It was a pretty chaotic situation at first," recalls Brian Rowe – General Manager, Customs and Consulting. "Clients wanted to

know about the impact on their shipments. We were able to assess the situation and answered most questions right away."

Go to Trade Alert for instant updates

Future updates on the implications of past and new terrorist acts will be posted directly on our web site (www.universallogistics.ca). Just go to the Home Page and look for *Trade Alert*. You can also sign-up for *Email Alerts* to receive the latest high priority news such as the repercussions of another terrorist attack or important changes in government policy.

"Our goal is to be our client's best information source," says Mark Glionna, Vice President – Client Relations.



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Airport security enhancements

The Government of Canada announced in early October a wide range of new measures to enhance the security of operations at Canada's airports. The initiatives will provide more than \$79 million for new equipment and supporting activities at Canadian airports. In addition, \$12 million is being allocated annually to the Canada Customs and Revenue Agency and Transport Canada to meet staffing requirements related to public security and anti-terrorism programs.

Specific initiatives announced by the government include:

- * \$55.7 million for the purchase of advanced explosives detection systems (EDS), and related state-of-the-art

electronic security capabilities.

- * More than \$3 million to deploy airport security inspectors across Canada and to strengthen regulatory capacity for responding to new security threats.
- * \$750,000 for an analysis of advanced and evolving security practices and technologies for airport security operations.
- * \$6 million for leading-edge technology and information systems to better connect front-line officers to Customs data banks and those of other law-enforcement agencies, both foreign and domestic.
- * \$6 million for technology such as x-ray machines to facilitate better screening of goods.

- * \$9 million for additional customs officers, mainly at seaports and airports.
- * \$8 million for new equipment such as scanning units for use by the RCMP at airports, border crossings, ports and offices for the electronic transmission and analysis of fingerprints, palmprints and photographs.
- * \$1.5 million for the purchase of finger print card conversion technology to upgrade the Canadian Criminal Records System.
- * \$770,000 to increase the ability of the RCMP Emergency Response Team to undertake tactical response capabilities.

For more information on Canada Customs and Revenue Agency initiatives, visit their web site: www.ccra.ca

What has changed since September 11

(continued from page 1)

faster than traffic moving into the U.S., which is now subject to increased inspection by Customs, State Troopers and Immigration.

- * The *CanPass* Card Program – which allowed individuals to clear Customs by simply swiping the card through a scanner – has been cancelled, leading to increased delays at border points.
- * Random examinations of trucks could delay your shipment for up to 12 hours.

Ocean shipments

- * General insurance coverage for Marine War Risks is expected to increase in the

near future. London underwriters have already increased their basic rate. Universal Logistics' underwriter will make the necessary adjustments when the increases are announced.

- * Increased security has slowed transit times.

Insurance

- * Several additions have been made to the list of destinations subject to Underwriter agreement *prior* to any ocean or air shipment. The additions, as of September 28, 2001, include Afghanistan, Armenia, Azerbaijan, Chechnya, Congo, Georgia, Iran, Iraq, Sudan, Tajikistan, Turkmenistan and

Uzbekistan. Coverage to any of the destinations may be declined.

- * Rates are expected to increase for coverage of War Risks.
- * Coverage may become mandatory for certain destinations.

What's next?

- * There could be changes in the Export & Import Permits Act, which was set up to monitor and control selected commodities and shipments to and from specific destinations.
- * New anti-terrorism legislation, now before the House of Commons, will undoubtedly have implications for our industry.

Company Corner

AMPS grace period announced

Canada Customs and Revenue Agency (CCRA) are due to implement the Administrative Monetary Penalty System (AMPS) on October 29, 2001.

Penalties will be applied to certain aspects of the Customs Self Assessment (CSA) program from the outset. But in all other areas a grace period will apply until April 2002, because the CCRA understands that some exporters and importers need more time to fully understand their obligations under AMPS.

Helping hand for victims of terrorist attacks

The employees of Universal Logistics have joined the ever growing number of Canadians who are making a contribution to the Red Cross Fund set up to assist the victims of the terrorist attacks. Universal Logistics will make a matching contribution.

"As a company with many U.S. clients and long standing working relationships with many U.S. companies, we had a strong desire to help out," says Michael Glionna – President, Universal Logistics.

Crossword answers

Due to space limitations, contest winners and answers to the crossword cannot be included in this issue. Look for them in the next issue.



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