

# THE PORTAL

VOLUME XXXVIII The Journal of the Household Goods Forwarders Association of America, Inc.

MARCH/APRIL 2006



## Outsourcing

2005–2006  
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**About our cover:** *Outsourcing is a big trend—and big business—these days. Our look at this important issue begins on page 5. Cover design by Stephanie Sutherland, Glennan Graphics.*

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## THE PORTAL

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By Terry R. Head  
HHGFAA President

### Outsourcing and Offshoring: Pain vs. Gain ... or Both?

Outsourcing is big business! It is estimated that outsourcing in all its forms generated over \$298.5 billion in 2003 and the practice has certainly grown since then. Research estimates that by 2015, as many as 3.3 million US jobs and \$136 billion in earnings will move not only to India, but also to China, Russia, Pakistan, and Vietnam. In the new global economy it is not just manufacturing jobs that are under threat of being outsourced; in the near future a large number of service jobs will be performed in “cheaper climes” as well. Only hands-on or face-to-face service sector jobs look secure. Construction workers, truck drivers, and movers will probably be among the service sector jobs that remain safe from offshoring.

I guess it would be difficult to have a van operator or packer in Asia handle the loading of your shipment in Texas. However, the company where the mover actually is employed could be located overseas and the customer service agent that is coordinating the move could be in a whole different country altogether. Half the gross job losses predicted are supposedly in the lowest-paying category of “office and administrative support,” such as call centers.

Here is an interesting fact I recently read in a *Washington Post* editorial: “The total number U.S. service sector jobs that will be susceptible to off-shoring in the electronic future is two to three times the total number of manufacturing jobs...,” which is about 14 million, and what we must hear about when opponents of outsourcing speak out.

Outsourcing is not all bad and it’s been around longer than you might think. In early US history, the making of covered wagon covers and clipper ship sails was outsourced to workers in Scotland that were skilled in the textile mills and the raw materials utilized was imported from India. Bringing it forward, I think I had my first exposure to outsourcing in the early 1970s when my employer outsourced his payroll processing functions. I didn’t care who calculated my hours—I just wanted my check, and it didn’t matter from what address it was mailed.

Our own industry has seen its share of outsourcing and even some offshoring. Companies involved in moving, forwarding and shipping have begun outsourcing many of their functions. It’s not uncommon for a mover or forwarder to use an outside vendor to handle not just his payroll administration, but marketing, billing and collections, claims settlement, legal tasks, and information technology (IT) functions. Many companies who provide 24/7 in-transit visibility to their customers outsource these functions to “customer call centers,” which can be physically located anywhere in the world. Even here at the Association, we outsource some of our conference planning, government relations/lobbying, publications, IT, and Web site, as well as our legal needs.

Outsourcing and offshoring of job functions has its pro and cons. However, it seems that only in the last 5 years has the process of outsourcing changed the face of many global economies and cultures. Some of the countries affected are gaining monetarily, and others may be experiencing negative impacts on their economy as a result of gaining or losing jobs.

This issue of **The Portal** is focused on providing a number of different perspectives on outsourcing, as well as attempts to answer the question: Is that good or bad for our industry? I don’t think there is a definitive answer to that question; however, we invite you to explore this issue with us as you read the articles on the subject. Perhaps then you will at least be able to visualize the potential impact of outsourcing on yourself and your company.

## Coming Up in THE PORTAL

The next edition of *The Portal* will focus on

### “Africa: Forgotten Continent ... or the Land of Opportunity?”

HHGFAA members are invited and encouraged to submit articles (with or without photos) or comments on this important and timely topic. Your fellow HHGFAA members will benefit from your experience and observations. **HHGFAA members in Africa also are invited to submit company profiles to be featured in the magazine.**

Portal readers would like to know what they should be aware of in shipping to and from African countries. What challenges — whether climate, political, or other types — do you have to deal with every day in order to serve your customers? You may also include a profile, containing information about when your company was founded, and by whom.

Photos are welcome, but please do not send more than TWO photos with any e-mail transmission. If you wish to send more than two graphics or photos, please put them on a CD-ROM and mail them to the attention of Bel Carrington, HHGFAA, 5904 Richmond Highway, Suite 404, Alexandria, VA 22303.

Please note the deadline for submissions is May 20, 2006. If you need information about the best means of submitting articles and graphics, please e-mail [bel.carrington@hhgfaa.org](mailto:bel.carrington@hhgfaa.org). All articles are subject to editing for syntax, grammar, and clarity.



*The premier journal of the household goods removals industry*



# PORTAL FOCUS: OUTSOURCING

## Customer Service ... Or Disservice?

*By Norm Alster*

Globalization and outsourcing are two megatrends whose benefits most businesses can't afford to ignore. But the practice of outsourcing customer service to offshore call centers is beginning to look like a classic example of a good idea carried too far. Critics of the practice point to a growing body of evidence that suggests faulty economics and customer dissatisfaction are forcing a rethink of what once seemed logical. But proponents maintain that there are cost advantages and that current problems can be resolved.

"The economic benefits of outsourcing customer service are grossly overstated," insists Niels Kjellerup, a senior partner with Australian consulting firm Resource International and editor of a Website devoted to call centers. Customer resistance, along with data-security concerns and the unexpectedly high costs of managing offshore call centers, offset and dilute their promised economic benefits, he says.

There is already evidence that these factors have combined to slow the offshore migration. Several large firms, including Dell, Capital One, and Conesco, have shifted at last some customer-support operations back to the United States. And after several recent years of 30% or better growth in offshore customer service and support, growth should slow to 11% this year and 5 to 10% a year by the end of the decade, says one analyst.

With offshore outsourcing of IT functions such as application development and maintenance well established, and with corporate customers generally happy with the result, it was only natural that companies would look for other areas of business to export as well. And customer service — which many companies view as nothing more than a drain on income — looked like an area ripe for savings. While call-center agents in the United States may make \$9 to \$10 an hour, those in India, for example, are likely to earn third or less of that amount.

Offshore customer service does work well in specific situations. Companies with overwhelmingly dominant market positions are more apt to risk customer alienation where near-term savings can be realized. And certain types of customer service jobs are well suited to offshoring. Jobs that involve large numbers of fairly simple interactions—credit card balance inquiries, for example—are a good match for offshore centers. Offshore centers are generally effective solutions when agents can learn what they need from training and scripts but require little relevant experience or nonscripted decision-making. Of course, these are also the types of inquiries that are increasingly handled by automated voice machines.

During the next 3 years, up to 60% of companies outsourcing customer-facing services could encounter customer defections and hidden costs that will either cancel or outweigh any perceived savings in such arrangements. There are things companies can do to improve those odds, but some experts say savvy management may not be enough to counter the fundamental mistakes companies make when

they forecast huge savings from the offshoring of customer service.

Companies often overlook a number of management costs, such as the training of agents, the need for supervisory management, and the time and cost of travel to distant locales. "You must have people dedicated to managing the outsourced relationships," says consultant Tom Weakland. As a result of unexpected overhead, the projected savings from offshoring can swiftly evaporate. Where a 30–60% cost

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**Customer service — which many companies view as nothing more than a drain on income — looked like an area ripe for savings.**

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reduction is expected, 10–30% is probably realistic.

There is a huge turnover at Indian centers, as much as 70% per year. Lured by the fabulous success and growth of established outsourcers, entrepreneurs have raced to set up shop, touching off recruiting wars and escalating pay scales.

Kjellerup says that companies should be aware of the flawed logic that leads them to regard customer service as an expensive and underperforming function that doesn't produce revenue (and is thus ripe for offshoring). Instead, they should focus on the impact that a steady drop (15–20%) in "valued" customers will have on profits in 3 or 4 years' time.

Consultant Martha Rogers says that the metrics generally used to measure call-center performance are flawed. Managers who try to minimize the length and cost of each phone interaction "drive bad behavior on the part of their representatives," she says. Instead, companies should see each call as an opportunity to enhance the long-term value of a customer's business. Rather than putting agents on the clock, managers should tie some portion of agent compensation to "the future value of the customer's business."

Companies try to downplay the fact that they are using offshore call centers. And customers concerned about data security are uncomfortable being served by offshore customer service. US companies that tap overseas firms to handle customer service and data need to understand just how the work will be handled. Growing outsourcing industries in Eastern Europe and Latin America have been targeted by criminals seeking access to customer data.

Nevertheless, "for companies that regard customer service as a key part of future revenue growth, bringing such operations back to domestic shores is the way to go," says Kjellerup. "To see this as a noncore competency is a flawed business model."

*SOURCE: CFO-IT*

## The Value of Outsourcing

Although reducing costs is the primary reason for outsourcing of any function, including storage of information, some companies are using outsourcing to bring about innovations that improve the strategic direction a company is taking. In a 2003 report titled *Outsourcing From Strength*, produced by Cutting Edge Information, executives from 50 companies were queried about how their companies managed outsourcing.

When asked, “Is outsourcing a strategic tool?” 29% agreed strongly and 60% agreed somewhat. This report goes on to describe how to identify key reasons for outsourcing: making a cost/benefit analysis; selecting a vendor in ways that involve preplanning for the relationship; and structuring contracts to include measurement systems. (For a free 8-page summary, go to [www.cuttingedgeinfo.com](http://www.cuttingedgeinfo.com).)

The question to ask yourself is, “What benefits can I gain by outsourcing my records beyond saving money and/or saving space?” As attorney Michael C. Bisignano wrote, in looking at outsourcing of IT, “A purchaser should always consider the attributes of alternate technologies, alternate business processes, and alternate corporate strategies to accomplish the goals sought in an outsourcing transaction.” (*Washington Business Journal*, Feb. 27–March 4, 2004, edition.)

The pros and cons of outsourcing records and the functions that relate to them is a topic that produces many entries on the records management list serve ([recmgmt-L@lists.ufl.edu](mailto:recmgmt-L@lists.ufl.edu)) that is used by records and information managers around the globe. However, one publication that has earned recommendations from many practitioners is the *National Archives of Australia—Records Issues for Outsourcing Including General Disposal Authority 25*. Although written for Australia, this book has precepts that will apply to many situations in which outsourcing of information is being considered. ([www.naa.gov.au/recordkeeping/disposal/authorities/GDA/PDF/GDA25.pdf](http://www.naa.gov.au/recordkeeping/disposal/authorities/GDA/PDF/GDA25.pdf))

For example, contracts must specify the services, or subsets of services, with their objectives. Service level requirements will be related to payment schedules. The owner of records must have a right to transition parts of the service to another provider if there is a failure to adequately provide the services under contract. There should be an enforceable complaint mechanism and security clauses that are spelled out in exact detail. For consideration are three categories of records: those existing before a contract begins; those records created by the contractor as part of providing the service; and records that will be arriving during the time frame of the contract.

Outsourcing contracts may be lengthy and it is entirely possible that staff involved in the beginning of the outsourcing project may not be there in the long run. This makes it imperative that accurate and timely records are kept of discussions with the contractor and actions taken, especially in the areas of problems that may arise, how they were or were not resolved, and any variations to the contract that may have to be made over time.

Privacy issues for records containing personal information make it imperative that a storage contractor operates under the same stringent requirement and delineations that apply to the owner of those records. Conversely, there must be a method for retrieval of information with specifications as to which persons in the owner’s office are authorized to order retrievals.

For another view of outsourcing, consider the article, “Outsourcing: The Right Decision,” by William Benedon, CRM, FAI. Benedon looks at whether to outsource or use in-house staff for computer operations, forms management, imaging, records center operations, or the total records management program. The 7-page article is downloadable for a credit card fee from ARMS International at [www.arms.org](http://www.arms.org).

SOURCE: *Victory Archives*

# Offshoring's Hidden IP Risks

*By Peter Haapaniemi*

In the United States, there has been a great deal of recent debate around the issue of Offshoring—whether it's good or bad, harmful or healthy, fair or unfair. Even as that debate continues, however, one thing is clear: **Offshoring looks like it's going to be a vital part of the business landscape for the foreseeable future.**

The business arguments for offshoring are compelling. Companies see it as a way to tap into lower-cost labor, handle work on a 24/7 basis, and fill gaps in the workforce in the face of looming labor and skill shortages. In 2003, about 1.5 million service jobs were outsourced abroad from developed countries, and that number is expected to reach 4.1 million by 2008. By 2009, 72% of companies plan to source from China, 59% plan to source from Eastern Europe, and about half plan to source from India.

But offshoring brings risks as well as benefits. Companies must consider the issues associated with longer and more complex supply chains; changing regulatory and legal regimes across countries; the potential for domestic political fallout; and, increasingly, the vulnerability of intellectual property (IP) being shared with distant partners. In some countries, IP may not be as well protected as it would be in the United States. So today, companies need to understand the nature of those risks and how to best manage them, because as offshoring becomes more common, the ability both to share and to protect IP will be critical to working effectively and profitably with overseas partners. For example, in India, there is patent protection, but trade secret protection is weak.

These days, companies are outsourcing not only call centers and IT maintenance, but everything from accounting to product development and engineering—activities that involve vital processes, ideas, and innovation. This kind of business process outsourcing is evolving toward KPO, or “knowledge process outsourcing,” which includes scientific research and development and sensitive data-related activities.

Those types of processes naturally require the increased sharing of IP with offshore partners. These entail some level of risk that one company will exploit the other's IP—a risk that is amplified when working across borders because the strength and scope of IP laws, and the ability to enforce them, can vary from country to country.

Protection against some of these risks lies in preparing well—having a thorough contract in place, wherein both parties clearly understand and agree to just what IP is being shared. Companies should ensure the vendor is licensed to use any relevant technology. The agreement should also require the vendor to have comprehensive policies and processes that keep sensitive information secure, electronically and physically. This entails the ability of a company to inspect the vendor's facilities and processes. Some companies have found that if they are closely involved in the training of their vendor's staff in the early stages of the relationship, there are fewer problems later on.

Primarily, however, IP safety comes down to choosing the right partner and to exercising due diligence that looks at everything from references to hiring practices and employee retention rates. The most stable, reputable companies may well be the larger ones that have experience in handling contracts for major corporations. Such firms may be more likely to have the resources and internal controls in place to protect IP. In other words, the most important advice of all is to know your potential partners.

## Outsource the Outsourcing: A New Breed of Broker

**A**lthough by now nearly everyone understands the logic and value of offshoring, how does one put that understanding into practice, and create a global organization able to operate across multiple time zones and tricky cultural and linguistic divides? Few owners of fast-growing companies have the time or expertise to find, let alone manage, contractors in the Philippines or India.

**As the offshoring trend has gathered steam, a cottage industry of brokers and consultants has emerged.** Not only can these intermediaries hook you up with the right contractors, they help ensure a good fit, managing the relationship and handling any problems that arise.

Vinay Gupta, an entrepreneur in Ann Arbor, Mich., is one such broker. He took a series of trips back home to India to identify a handful of best-of-breed companies ready to do business. Employees in his New Delhi office monitors the performance of those firms. His company also developed a Web-based software program called Passport that functions as an information dashboard for clients. With just a few mouse clicks, a US firm can track the volume of customer service calls or check on the status of a software project.

Gupta's company, Janeeva, is relatively small, with about 10 clients, but he is adding to his network of vendors, which now number about 350, and is also broadening the geographic scope by tapping into companies from the Philippines and Costa Rica to US vendors in Phoenix and Omaha.

*Adapted from an article in Inc. Magazine by Darren Dahl*

### TIPS TO MITIGATE RISKS IN OUTSOURCING

- Monitor your partners closely. This can mean having your own people overseas, building and keeping relationships.
- Use analytical tools to predict risks and develop mitigation plans in the context of an overall business plan.
- Examine the hidden costs of forecasting errors and transportation-related disruptions.
- Learn as much as you can about your outsourcing partner. This isn't always easy; the lack of financial transparency among some overseas companies can make them difficult to evaluate.
- Review your insurance. Specialty insurance coverage is available for financial consequences arising from trade-disruption risks and other circumstances.
- Consider operational hedging strategies to protect against being dependent on a single country or region.



# UTi Remakes Itself

*By William Hoffman*

If managing movement is central to logistics UTi Worldwide is just about done with a major logistical feat.

Rancho Domingues, Calif.-based UTi says it is just about finished remaking itself from a basic freight forwarder, albeit a large one, into a major contract logistics provider.

With a boost from its buy of Standard Corp. a couple of years ago and a huge new contract from Wal-Mart, UTi saw its contract logistics net revenue grow 53% in the second quarter to \$92.8 million. Just 4.9% of the company's net revenue in 2002, contract logistics accounted for 39% in the second quarter.

"We believe we've made measurable progress transforming UTi into one of the first companies capable of providing our customers worldwide with a total outsourced solution in global integrated logistics," said CEO Robert I. MacFarlane.

The move toward contract logistics business is growing more significant for 3PLs and forwarders that once left the high-end, more tailored side of logistics services to niche operators. Exel sharply accelerated its contract logistics drive in 2004 with its buy of Tibbet & Britten, and Deutsche Post World Net signaled its interest in the market with its bid to buy Excel.

UTi is also building on its acquisitions, and the buy of Standard helped it bring in the huge contract to manage Wal-Mart's new 4-million-sq.ft. distribution complex at Baytown, Texas. The site near Houston could add \$60 million to \$80 million a year in revenue, the company projects.

The growth has also made the company more profitable. The net profit in its fiscal second quarter ending July 31 grew 38% to \$22.3 million on a 27% percent gain in gross revenue, which hit \$686.2 million, while net revenue grew 28%, to \$238.3 million.

Still, the company estimates third-party logistics will never be a greater portion of net revenue. UTi projects contract logistics will settle in the mid-30% range of net revenue as UTi's focus shifts decisively from freight forwarding (66% of revenue in 2002 compared with 42.5% today) to logistics services.

Each region produced over 15% organic growth in net revenue. Ocean freight net revenue grew 17%, air freight 18%, in UTi's second fiscal quarter.

MacFarlane credited UTi's transformation to discipline inspired under the company's NextLeap initiative, a growth plan over 20 quarters.

*SOURCE: Traffic World*

## **IT'S A FACT . . .**

- Average global salaries are forecast to rise by 2.4 percentage points above inflation.
- Pay in the EU is expected to outpace inflation by 2 percentage points, on average.

## Study: How to Cure Costly Sourcing Deficiencies

Most mid-size enterprises lack disciplined sourcing practices, category expertise, and spending power to negotiate and maintain competitive supply chains, according to a new Aberdeen Group benchmark report called Strategic Sourcing in the Mid-Market Benchmark: The Echo Boom in Supply Management. Aberdeen estimates that such deficiencies are costing mid-sized firms in the United States \$134 billion a year in missed supply savings opportunities.

Aberdeen's benchmark of 133 procurement and supply chain executives found that continued pressures to reduce costs and improve spending visibility and control have made strategic sourcing improvements a priority for most mid-size enterprises.

"Mid-size enterprises missed out on the first wave of supply management automation and improvements," said Tim Minahan, Aberdeen's senior vice president, Global Supply Research, and author of the report.

**"Continued pressures to reduce costs and compete in global markets have made strategic sourcing improvements for mid-size firms not just a priority, but a necessity for survival."**

According to the study, more than half of mid-size companies have either launched initiatives to formalize and improve strategic sourcing capabilities within the past year or will do so within the next year.

Aberdeen recommends the following practices to formalize and improve strategic sourcing:

- Develop and enforce standard sourcing procedures company-wide.
- Hire sourcing and commodity expertise, including consultants.
- Improve access to and quality and analysis of corporate spending.
- Enlist executive support for resources and policy changes.
- Leverage commercial sourcing management automation.

"Mid-size enterprises that used these strategic sourcing techniques recorded more than four times greater procurement cost savings, better supply performance, and greater profitability than industry peers," said Minahan. The report was sponsored by Source One, a procurement services provider, and WhyAbe.com, which offers free tools for managing requests and auctions.

### IT'S A FACT . . .

More firms are cutting costs by moving warehousing to China as well as production. Apple Computer, Ingersoll-Rand, Schneider Electric, Nike and others are saving money and spending distribution by doing so. Goods made there are kept there until the buyers need them, and then sent directly to retailers or manufacturers, not to US warehouses. Less expensive land, buildings, and labor in China spell big savings.

# Congress Clamps a Lid on Outsourcing of Government Work

By Stephen Barr

Congress, in an effort to protect federal jobs, has placed restrictions on the Bush administration's program that uses cost-comparison studies to determine whether "commercial" activities performed by the government should be turned over to contractors.

One of the more significant curbs was contained in the fiscal 2006 spending bill for the departments of Transportation, Treasury and Housing and Urban Development. The provision applies across the government — except for the Defense Department and the Transportation Security Administration's airport screener operation — and became law Nov. 30, 2005.

The fiscal 2006 defense spending bill, approved by the House and sent to the Senate, would place a similar limit on the Defense Department's conversion of federal jobs to contractor jobs.

**The president's "competitive sourcing" initiative calls for studies to determine whether certain types of work performed by federal employees can be done by the private sector at less cost.** In policy statements, the White House has pointed out that job competitions conducted in fiscal 2003 and 2004 are projected to produce 5-year savings totaling \$2.5 billion. Federal employees have won 90% of the job competitions, officials also point out.

But federal unions have lobbied against the job competitions, arguing that the rules are tilted against employees and that estimates of cost savings are overstated or cannot be proved. Industry groups contend that agencies should be able to outsource work if it helps them manage their budgets or better accomplish their goals.

The new law will allow 10 or more federal employees to set up a "most efficient organization" to bid against contractors for the government work. Previously, only groups representing at least 65 federal employees could compete.

The law also prohibits agencies from contracting out activities involving 10 or more federal jobs unless the contractor's bid comes in \$10 million or 10% lower.

Although President Bush's senior advisers had warned of a possible veto if the restrictions on outsourcing were adopted, a spokesman at the Office of Management and Budget said the administration "determined that these provisions do not significantly erode the president's management agenda."

An OMB spokesman said officials "will monitor the impact" of the limits on competitive sourcing and, if found too restrictive, will work with Congress "to fix them." He said OMB officials are drafting additional guidelines for agencies "to help them successfully compete work."

The spending bill for the Defense Department carries provisions similar to the Transportation-Treasury law. It goes a step further, however, by including a section that would not permit contractors to gain an advantage in their bids if they offer less generous health insurance benefits than those paid by the Defense Department on behalf of its civil service employees.

## It's All Global Now

"I don't think anyone anymore looks at the world we live in as just a domestic supply chain," says Bob Schwartz, CIO at Panasonic Corporation of North America. "The issues of visibility are becoming extremely critical, and that's a huge area of our focus at Panasonic." Although Schwartz's supply chain lies mostly in North America, it has links to centralized systems at Panasonic headquarters in Japan. The trend in retailing for suppliers to take over responsibility for in-store inventories presents challenges as well as opportunities, he says. More on globalization and the trends that are affecting everything from multi-sourcing to partnerships with supply chain partners. It is interesting that it is no longer sufficient to say that you "do international business". Markets now want to know how many sourcing countries are being used, how short the days-in-inventory cycle is, how real-time the visibility into the entire supply chain is, DC use reductions, etc.

SOURCE: Roadway—Business Intelligence

## 2006 Worldwide Pay Survey Reflects Reasons for Outsourcing

Globally, salary increases are expected to be higher next year than they were in 2005, according to a survey by Mercer Human Resource Consulting, the world's largest employee benefits consultancy and services provider.

**The average pay rise worldwide is expected to be 2.4 percentage points above inflation compared to 1.9 percentage points this year.**

In the European Union (EU), pay is likely to rise by 2 percentage points over inflation.

Average pay in 7 in 10 (69%) of the countries covered, including the UK and US, is predicted to increase by between 1 and 3.5 percentage points above inflation.

The study also found a minority of countries will experience rises that are over double the global average.

The greatest increases are expected in India, Egypt, and Lithuania, where employees are forecast to receive pay rises of 7.3%, 7.1% and 5.5% above inflation, respectively.

Greg Cornish, Global Head of Human Capital Advisory Services at Mercer, said: "We've seen strong global economic growth in the past couple of years and all the signs indicate this is set to continue in 2006. With this growth and more stable inflation we anticipate next year's pay rises to be higher, in real terms, than this year's."

Mercer's Global Compensation Planning Report examines employment, economic and pay trends in some 70 countries worldwide. Data on projected pay is taken from a survey of multinational companies and inflation data is primarily taken from the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development.

The report shows clear variations in pay and inflation trends across the world.

### Europe

The survey examined 31 European countries, including 24 in the European Union. The results revealed salary increases in Western EU countries are likely to remain stable, while those in the East will be higher due to greater economic growth in these countries.

In Western EU countries, average pay rises are forecast to be highest in Greece for the third consecutive year, where employees can expect their salaries to increase by around 4.9%.

Inflation in Greece is predicted to be 3%. Workers in Ireland, Spain, and Italy can also expect substantial pay rises of 4.2%, 4%, and 3.8% respectively, while inflation is forecast to be 2.4%, 3.2% and 1.8%. In the UK, employees can expect increases of 3.5%, with inflation at 2%. The lowest pay growth is predicted to be in Germany, at 2.1%, where inflation is expected to be 1%.

#### Top 5 ranked countries, 2006 projected data, in %

Country	Average pay increases	Inflation rates	Pay above inflation
India	11.3	4.0	7.3
Egypt	12	4.9	7.1
Lithuania	8.5	3.0	5.5
Estonia	7.5	2.5	5.0
Bulgaria	8.4	3.5	4.9

#### Bottom 5 ranked countries, 2006 projected data, in %

Country	Average pay increases	Inflation rates	Pay above inflation
Malta	1.7	1.9	-0.2
Nicaragua	6.8	6.8	0.0
Turkey	6.3	6.1	0.2
Poland	3.1	2.6	0.5
Israel	2.5	1.8	0.7



Pay increases in Eastern EU countries are likely to be among the highest in the world, with Lithuania at 11th place in the global rankings with a projected increase of 8.5%, with inflation at 3%.

Next year, employees in Latvia and Estonia are forecast to receive large pay rises of 8.3% and 7.5% respectively, while inflation is likely to be 5.3% and 2.5%.

At the other extreme, workers in Poland will be worse off with salaries expected to rise by just 3.1%, while inflation will be 2.6%.

“Although many Eastern European countries have experienced high wage inflation since joining the EU, their labour costs are still extremely competitive,” commented Cornish. **“Multinational organizations continue to look to Eastern Europe for opportunities to set up operations at a much lower cost than in Western Europe.”**

## North America

The sustained growth of the US economy in recent years has affected countries worldwide. However, in the United States, this growth has not necessarily translated into wage inflation.

“Despite the tremendous growth in the US economy, many companies remain cautious in their approach to pay increases,” said Robin Ferracone, president, Human Capital Business at Mercer. “Organizations continue to use variable pay such as bonuses to help retain talented employees, as they struggle to afford higher base pay levels.”

Salaries in both the US and Canada are forecast to increase by 3.6%. However, employees in Canada will fare better than those in the US as inflation in those countries is expected to be 1.9% and 2.6%, respectively.

In Mexico, salaries are likely to increase by 5%, while inflation will be 3.9%. Central/South America Pay rises in Central and South American countries are generally expected to be high, though the majority of these increases are likely to be offset by high inflation. For example, the survey found wages for workers in Nicaragua will effectively be frozen as both pay rises and inflation are forecast to be 6.8%.

Employees in Argentina are forecast to receive 10.5% pay rises, while those in Guatemala and Honduras are likely to experience increases of 10%. Inflation in these countries is predicted to be 8.6%, 5.7% and 5.9%, respectively.

In Brazil, salaries are likely to increase by 7.5%, while inflation is forecast to be 4.6%. The lowest

### EU countries, 2006 projected data, in %

Country	Average pay increases	Inflation rates	Pay above inflation
Lithuania	8.5	3.0	5.5
Estonia	7.5	2.5	5.0
Slovakia	6.3	2.8	3.5
Latvia	8.3	5.3	3.0
Hungary	6.0	3.4	2.6
Czech Rep.	5.0	2.5	2.5
Slovenia	4.7	2.3	2.4
Netherlands	2.7	0.5	2.2
Italy	3.8	1.8	2.0
Finland	3.6	1.6	2.0
Greece	4.9	3.0	1.9
Ireland	4.2	2.4	1.8
Belgium	3.5	1.8	1.7
UK	3.5	2.0	1.5
Denmark	3.3	1.8	1.5
France	3.0	1.7	1.3
Sweden	3.1	1.9	1.2
Luxembourg	3.1	2.0	1.1
Germany	2.1	1.0	1.1
Portugal	3.2	2.1	1.1
Austria	2.7	1.7	1.0
Spain	4	3.2	0.8
Poland	3.1	2.6	0.5
Malta	1.7	1.9	-0.2
NB: No data available for Cyprus			

salary increases are expected in Panama, at 3.8%, where inflation is expected to be 1.8%.

## Asia/Pacific

Salary increases in Asia/Pacific countries are expected to vary greatly. For example, employees in India and China, where economic growth is being driven by investment from the United States, are expected to receive pay rises of around 11.3% and 7.8%, respectively. Inflation in those countries is predicted to be relatively low, at 4% and 3%.

In contrast, pay in Singapore is likely to increase by 3.8% and inflation by 1.5%, while in Hong Kong employees can expect rises of 3.2% with inflation at 1.1%.

“Organizations recruiting employees with specialist skills in India and China must offer competitive salaries, as the pool of skilled workers is relatively limited,” said Cornish.

In Australia and New Zealand salary rises are predicted to remain in line with recent years, at 4.2% and 3.8% respectively. Inflation of 2.8% is projected in both countries, meaning annual pay rises in real terms are relatively low.

“While the economic outlook for 2006 is positive, fluctuations in oil prices, exchange rates and consumer confidence could affect companies’ pay increase budgets for next year,” said Cornish.

### Other selected countries, 2006 projected data, in %

Country	Average pay increases	Inflation rates	Pay above inflation
India	11.3	4.0	7.3
China	7.8	3.0	4.8
Indonesia	11.3	7.0	4.3
Brazil	7.5	4.6	2.9
Japan	2.5	0.1	2.4
Singapore	3.8	1.5	2.3
Hong Kong	3.2	1.1	2.1
Argentina	10.5	8.6	1.9
Costa Rica	11.3	9.5	1.8
Canada	3.6	1.9	1.7
Peru	4.2	2.5	1.7
Australia	4.2	2.8	1.4
Mexico	5.0	3.9	1.1
New Zealand	3.8	2.8	1.0
Switzerland	2.0	1.0	1.0
United States	3.6	2.6	1.0

*Note: Data for the 2006 Global Compensation Planning Report covers five levels of employees: operations staff, clerical staff, technical staff, managers and senior executives. The salary increases cited relate to the average of all employee categories for the 65 countries where full data is available and are forecast figures.*

Mercer Human Resource Consulting Website: [www.mercerhr.com/globalcompensation](http://www.mercerhr.com/globalcompensation)

## Employment Outsourcing: Its Impact on Global Trade and International Relocations

By Marc Smet

When we talk about globalization and intra-country relocation, the EU has been (and will probably stay so for the years to come) a benchmark to all other nations.

Social, historical, and political considerations reflect the basic differences among the countries. For instance, the impact that the enlargement will have on trade levels with the European Union is uncertain. There is much evidence that not every country will continue to benefit from joining the EU, especially not those who had done so in the early days. The impact on trade will be gradual as new opportunities are explored and the purchasing power of the member states will increase.

Speaking in sociological terms, we know that wages in the accession countries are one-sixth of the average hourly costs in the founding EU-member States. For many owners and managers, sustaining the kind of wage levels that have become normal since the late 1990s is no longer consistent with the low-skill/low-wage jobs that they require to be filled. A solution for many of these managers is then to move all or part of their operations to a cheaper location.

The accession of the member states will have a measurable impact in the area of outsourcing and relocation. Already many companies have opted to take advantage of the ready supply of labor available at significantly lower wages than in their own country.

A combination of continuing cost hikes and the ever-increasing attractiveness of other lower-cost locations explain why many manufacturers were considering setting up a factory in Eastern Europe.

Outsourcing	Relocation
You buy	You produce
How is your future core capability?	Can you bear the financial risk?
You focus on procurement and on how to buy	You focus on producing and how to produce

**Outsourcing and relocation are two different activities with different advantages and disadvantages.** While they both offer solutions to a cost and production problem, they do not address the same question. They are based upon different causes and each one has a different perception of risk. Although relocation and production might involve a financial risk, outsourcing may jeopardize your business idea because of issues such as a different understanding of what goes into producing goods and services, lack of know-how and technology, a wrong interpretation of quality standards, and, in our specific business, the use of low-quality packing materials.

In the EU, outsourcing is associated with a large package of benefits—economic, technical, organizational, and administrative advantages—and in an Eastern European context, outsourcing to local companies is an option. However, although it may be a cost-efficient solution, it is not necessarily easier, faster, or more flexible. Most companies in the area can contribute only a qualified and disciplined work force and basic production facilities (buildings, machinery, tools, etc.).

Relocation is another popular option for founding EU members who are looking to take advantage of cheaper labor, a skilled workforce, and better infrastructure and distribution paths.

In the past, many of them have opted to establish operations in Eastern Europe, whether to follow an existing customer, create or explore new markets, improve competitiveness, or take advantage of opportunistic acquisitions.

But as always, before one even considers beginning to relocate or outsource a manufacturing and/or labor force, one should make a thorough analysis or at least have a feasibility study conducted in order to assess the opportunities and the challenges.

Based on several studies carried out in the Benelux, we can draw at least one general conclusion that is the importance of the human aspect in relocation and outsourcing.

The Dutch liberal and former European Commissioner Frits Bolkenstein has been one of the most controversial persons in the field of free circulation of services with the European Union. He issued a directive to all EU member states, that has led to heavy protest, primarily from the unions, accusing Bolkenstein of creating a social bloodbath.

Only in February this directive was adopted by a slight majority, and of course with many exceptions. EU leaders have agreed to introduce far-reaching changes to the Bolkestein directive to preserve the European social model. But the changes will be introduced within the normal course of the legislative process, meaning at a later stage.

It is, however, important to know that the first step toward free movement of people, goods, and services has been made. It implies that essential sectors such as culture, education, health care, and all services relating to national social welfare systems could be exposed to the same forms of economic competition as commercial goods and/or services.

The unions were heavily against the Bolkenstein directive, because they thought that it could lead to the deterioration of pension systems, social welfare, and health care coverage in favor of private insurance. It was also believed to entail the deregulation of our education systems and that it would be the end of any kind of cultural exception.

And what about the impact on trade outside the EU?

One could elaborate forever, but let's take just one example: e-work and its outsourcing to low-wage countries. The relocation of e-work places considerable demands on organizations. In the first place,

the relocation of business information activities is considered to be a purely technology-driven invention. On the contrary, the technology is not the problem—it is the actual organizational and human context that is so important.

Depending on its size, age, and corporate culture, a company's organizational structure, work routines, and staff can either facilitate or hamper the relocation of work.

The remote development of such customer-specific projects certainly requires much more operational interaction. Very often, customers do not know beforehand what they really want, and as a consequence, far more communication is needed between the people taking care of analyzing the client's needs and the ones doing the actual development.

This means, as noted earlier, that preparing well for the outsourcing and/or relocation is mandatory if you want to succeed. It would simply be too easy to expect that cheap labor would be the solution for increasing your business.

In the moving industry we are living similar trends. One is free to follow or to change directions.

Only the future will tell us who has taken the right path.

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*Marc Smet is Chief Executive Officer at the Gosselin Group in Antwerp, Belgium. He is the Associate Members Management Board Representative for Northern Europe.*



# INTERNATIONAL SHIPPING ALERTS

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## New Chinese Regulations for WPM

**Move One** has advised HHGFAA that there are new requirements regarding the importing of wood packaging materials into China.

Effective Jan. 1, 2006, the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China requires that all wood packaging material (WPM) imported into China be either heat treated or fumigated with methyl bromide and, thereafter, be properly marked as so treated.

This new measure follows ISPM 15 (international Standards for Phytosanitary Measures), which is an internationally established standard for treatment of WPM.

It is important to pay particular note should you have any WPM shipments bound for China.

WPM exempt from this regulation includes:

- Manufactured wood materials such as plywood, particleboard, oriented strand board, and fiberboard.
- WPM consisting entirely of wood pieces less than 6mm thick in all and any dimensions, including sawdust, wood-wool and paring etc.

## Brazilian Customs Regulations

**Confianca Mudancas & Transportes Ltda.** in Brazil has advised that proper consignment of the air waybill or ocean bill of lading accompanying unaccompanied luggage and cars is very important. All air waybills or ocean bills of lading must be consigned to the customer's full name and his home address in Brazil.

*Consignee:*

Customer's full name (Please do not state C/O Confianca  
Mudancas & Transportes Ltda)

Customer's address in Brazil and phone number

For extensive additional information regarding documents required for Customs clearance in Brazil, click [HERE](#).

# Brazilian Customs Regulations

## Procedure regarding shipment of unaccompanied luggage and cars.

Proper consignment of the air waybill or ocean bill of lading is very important. All air waybills or ocean bills of lading must **be consigned to the customer's full name and his home address in Brazil.**

The notify party on all shipments must be to our care.

**Consignee: Customer's full name (Please don't state C/O Confianca Mudancas & Transportes Ltda)**

**His address in Brazil**

**His phone number**

**Notify:** Confianca Mudancas & Transportes Ltda  
Av. Luciano Carneiro, 2255 - Vila Uniao  
60410-691 - Fortaleza - Ceará - Brazil  
Phone: + 55 85 3272-4488(direct) /32722211 (General)  
Fax: + 55 85 3272-5462.

### Documents required for Customs clearance in Brazil:

#### • Household Goods - Permanent Visa

- Power of attorney signed and authenticated in a Brazilian register office
- OBL/AWB
- Copy of all pages of passport, including blank pages, authenticated in a Brazilian register office
- Stamped visa
- Copy of CPF authenticated in a Brazilian register office
- Copy of ID card authenticated in a Brazilian register office
- Copy of passenger ticket authenticated in a Brazilian register office
- Inventory list in Portuguese signed by the customer and stamped for a Brazilian Cartorio. It must be itemized in details, showing the estimated value of each item in American dollars. It is also need mention the mark, model and serial numbers of all electrical items.
- Certificate of residence in Brazil contained the same address that there is in CPF.

#### • Household Goods - Returning Brazilian Citizens

- Power of attorney signed and authenticated in a Brazilian register office
- OBL/AWB
- Copy of all pages of passport including blank pages authenticated in a Brazilian register office
- Copy of CPF authenticated in a Brazilian register office
- Copy of ID card authenticated in a Brazilian register office
- Copy of passenger ticket authenticated in a Brazilian register office
- Inventory list in Portuguese signed by the customer and stamped for a Brazilian Cartorio. It must be itemized in details, showing the estimated value of each item in American dollars. It is also need mention the mark, model and serial numbers of all electrical items.
- Certificate of residence issued by the Brazilian Consulate at origin for returning citizens
- Declaration of residence in according to customs house model.
- Certificate of residence in Brazil contained the same address that there is in CPF.

#### • Household Goods - Temporary Visa

- Power of attorney signed and authenticated in a Brazilian register office
- OBL/AWB
- Copy of all pages of passport including blank pages authenticated in a Brazilian register office
- Stamped visa
- Copy of CPF authenticated in a Brazilian register office
- Copy of ID card authenticated in a Brazilian register office
- Copy of passenger ticket authenticated in a Brazilian register office
- Inventory list in Portuguese signed by the customer and stamped for a Brazilian Cartorio. It must be itemized in details, showing the estimated value of each item in American dollars. It is also need mention the mark, model and serial numbers of all electrical items.
- Work contract
- Guarantee (Termo de Responsabilidade)

- **Diplomatic Removals**

- Power of attorney signed and authenticated in a Brazilian register office
- OBL/AWB
- Copy of all pages of passport including blank pages authenticated in a Brazilian register office
- Copy of CPF authenticated in a Brazilian register office
- Copy of ID card authenticated in a Brazilian register office
- Copy of passenger ticket authenticated in a Brazilian register office
- Inventory list in Portuguese signed by the customer and stamped for a Brazilian Cartorio. It must be itemized in details, showing the estimated value of the each item in American dollars and need mention mark, model and serial numbers of all electrical items
- Inventory list in Portuguese signed by the customer and stamped for a Brazilian Cartorio. It must be itemized in details, showing the estimated value of each item in American dollars. It is also need mention the mark, model and serial numbers of all electrical items.
- Letter from Embassy informing it who customer is in a diplomatic mission

- **Vehicles**

- Power of attorney signed and authenticated in a Brazilian register office
- OBL/AWB
- Diplomatic free-entry document (REDA-E) issued by the Embassy or diplomatic organization
- Copy of passport, visa stamped
- Copy of CPF and ID
- Detailful invoice
- Proof of ownership
- Certificate of title for a vehicle

**Remarks: Only members of Foreign Diplomatic Corps are allowed to import cars.**

## **CUSTOMS REGULATIONS**

- Household goods and personal effects may be imported duty and tax free, provided they have been owned and used for at least one year.
- New articles can be sent as unaccompanied baggage since have been owned use (not for resale).
- Only two shipments are permitted; one air and one sea.
- Shipments should arrive in Brazil no earlier than three months before or no later than six months after customer's arrival.
- Shipments are inspected by the Customs House.
- Customs clearance cannot begin until all documents are received.
- Fumigation Certificate is required for wood package.

## **RESTRICTED ITEMS**

- Alcoholics beverages, exceeding 01 box will be subject to payment of duties in the amount of 50% of the value of the goods
- Items not corresponding to inventory list are subjects to very high duties

## **PROHIBITED ITEMS**

- Arms, ammunition and dangerous objects
- Narcotics, medicines and drugs
- Plants
- Motor Vehicles (except for members of foreign diplomatic corps)

## **PETS**

- Cats and dogs require a Health and Vaccination Certificate from the point of origin and are subject to veterinarian examinations at the port of entry.
- Other animals are subject to consultation with the Brazilian Ministry of Agriculture prior to departure from the country of origin and are also subject to inspection.

## Patriot Act Focus on Cargo Theft

Cargo theft is getting increased attention as part of the federal government's renewal of the Patriot Act. The anti-terror legislation increases prison terms to three years for anyone convicted of stealing cargo with a value of less than \$1,000 and 15 years for those convicted of thefts of more than \$1,000. President Bush on March 9 signed the revised Patriot Act into law. The legislation also gives cargo theft its own Uniform Crime Reporting code used by the FBI. The law also requires a national cargo theft database to be established.

*SOURCE: Journal of Commerce*

## US Congress Targets Port Security

The US Senate has approved a bill to spend nearly \$1 billion next year on port security while a leading Republican is proposing international commercial cooperation on counterterrorism. In a 90-8 vote, the Senate approved a republican budget amendment that will provide \$978 million for port security, \$13 million more than was included in a Democrat-sponsored measure.

The House was expected to take up a companion bill on March 21 as an attachment to the bill authorizing funding for the Iraq war.

## Hawley's Hello, Goodbye?

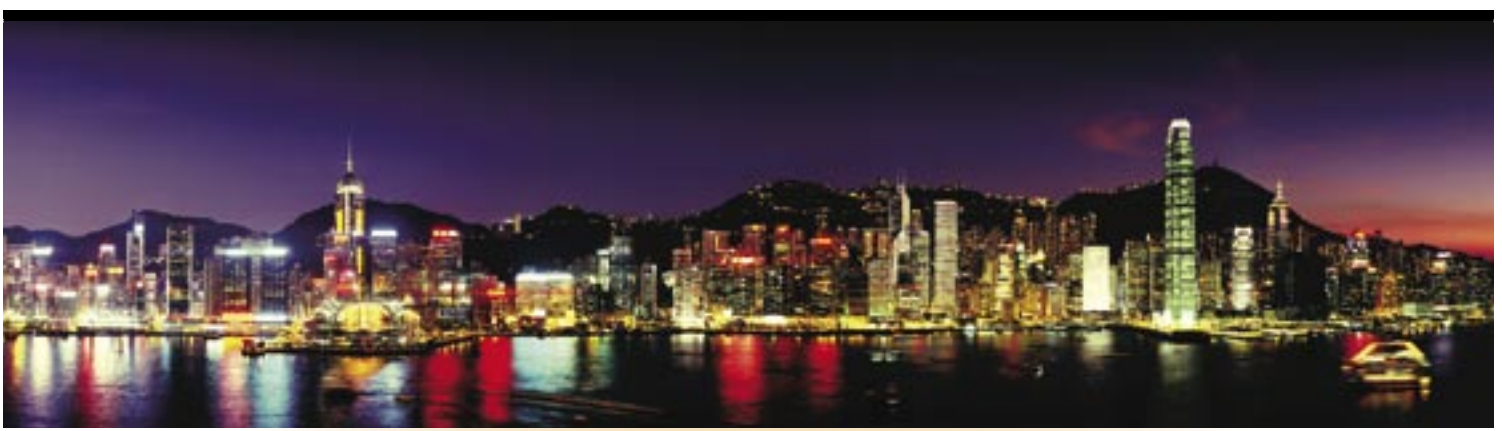
There's a collective groan coming from the cargo industry with growing word that Transportation Security Administration head Edmund "Kip" Hawley is on the Bush administration's short list to succeed Robert Bonner as head the Bureau of Customs and Border Protection.

Hawley is the fourth TSA chief in 3 years, part of a revolving door in leadership at the agency that has frustrated freight industry officials and, several have said, delayed cargo security rules. "The last thing we need is another reorganization," said Cargo Airline Association President Steve Alterman. There have been serious problems with the TSA and the timing for a change in leadership could not be worse.

**This is an election year and a number of politicians are eager to use issues of cargo security as cheap poll fodder.** This will take the form of new rules and regs that make it sound like security is tightening when all that is happening is that transportation is getting more expensive. A strong voice in the administration would help but that doesn't seem likely.

*SOURCE: Roadway Business Intelligence Newsletter*





# HHGFAA FORUM ON CARGO SECURITY FOR SINGLE EVENT SHIPMENTS

05 • 05 • 06

MAY 5TH & 6TH 2006  
SHERATON HONG KONG

## FORUM TOPICS

- Intermodal Container Inspection System
- Cargo Security Initiative (CSI): Present & Future
- RFID Implementation Projects
- Hong Kong Port Operations
- The Future of C-TPAT
- Importance & Benefits of Reliable Security Procedures
- Crisis Management & Contingency Planning
- US Customs & Regulatory Updates

The Household Goods Forwarders Association of America, Inc. will be holding an International Seminar in Hong Kong, on May 5th & 6th, 2006. The event entitled "Forum on Cargo Security for Single Event Shipments" will focus on the increasing unpredictable nature of single event and non-repeat international containerized goods and commodities shipments as a result of progressively stringent security regimes being employed in the United States and around the world.

The number of available attendee slots is limited and will be made available on a first-come, first-served basis. Additional inquiries pertaining to meeting attendance and sponsorship opportunities should be directed to Boris Populoh at [boris.populoh@hhgfaa.org](mailto:boris.populoh@hhgfaa.org).

**Space is Limited! For more information, or to register online, please visit [www.hhgfaameetings.org/hongkong](http://www.hhgfaameetings.org/hongkong)**



[WWW.HHGFAAMEETINGS.ORG/HONGKONG](http://WWW.HHGFAAMEETINGS.ORG/HONGKONG)

## Safeguard Your Company

Many companies use independent contractors to slash payroll taxes and the high cost of fringe benefits. But using outside workers can result in other problems. It's no secret that Uncle Sam wages battle with businesses over freelancers. And the situation is getting worse.

In recent years, many workers have turned to a career of consulting. The IRS is on the lookout for companies that use these consultants improperly—especially those that lay off workers and then hire them back as independent contractors to cut labor costs.

Tactics like that don't go over well with IRS, so it published guidelines on how auditors should analyze consultants and independent contractors. Often, an audit of the worker means the companies that hire them are also scrutinized by the IRS.

If your independent contractors are legitimately independent, there's no problem. But if they're employees in disguise, the IRS can "reclassify" them as employees and you're slapped with hefty bills for back taxes, plus interest and penalties. And audits by state agencies are even more common than IRS audits and frequently occur when freelancers apply for unemployment compensation.

Your company's pension plan isn't immune either. As independent contractors, workers are generally excluded from retirement plan contributions. If the IRS reclassifies them, your company may be panelized and your qualified plan might be disqualified.

To stay on the safe side, consult your tax adviser and make sure freelancers sign contracts that specify:

- They are not employees for federal income tax purposes and are responsible for paying their own Social Security and Medicare taxes.
- They are not entitled to employee benefits and are not covered by workers' compensation.

Have your regular employees sign contracts too. By varying the two types of documents, you can make the case that both categories of employees perform different tasks. Here are four more tips to safeguard your company when utilizing independent contractors:

1. Consistently treat all workers performing similar tasks as *either* independent contractors or employees. If contractors must wear ID badges or use company vehicles, make sure their contracts explain why. For example, the policy was instituted after customers expressed safety concerns about deliveries in unmarked cars.
2. Give outside workers considerable discretion about how and when they perform their duties. In general, independent contractors must control the way they get the job done.
3. Send each contractor a Form 1099 showing non-employee income if you pay \$600 or more in a calendar year.
4. Don't supply freelancers with services you give employees. Some companies have run into trouble with the IRS for providing contractors with office space, computers, cars, and other perks. Independents generally furnish their own tools and materials.

So what if you do rehire some laid-off employees as independent contractors? It's difficult, but still possible, to classify them as contractors. But don't let freelancers work in your office and give them new titles. For example, your retained employees might be "staff representatives" while your new workers are "outside service agents."

**There's nothing illegal about rehiring former workers as freelancers. You just have to make sure you structure the deals properly so you don't have the IRS breathing down your neck.**

## Have Some Bad News for You...

Whether as a result of outsourcing positions or just downsizing, **giving bad news to your workforce is never good, but there are ways to make it less damaging** to both employees who will feel the brunt of it and those employees left behind in its wake, says Julie Freeman. Freeman is the president of the San Francisco-based International Association of Business Communicators, a professional organization committed to enhancing the quality of business communications.

"First of all, it's important to recognize the sensitivity," Freeman says, especially when it comes to what she considers the hardest news to deliver—namely job cuts and benefits reductions. She says that before the announcement, you should reflect ahead of time on employees' potential concerns. For example, if a company is doing layoffs, a natural question may be when it's going to happen. Also consider if there will be any way to soften the blow with severance packages or continuation of benefits. "So, step number one is thinking through what the attitude of employees is going to be about it, and how can I address their concerns," Freeman advises.

To gauge employee reaction, the announcement can be made first to a small group of trusted employees, but Freeman says a human resources team that truly understands its workforce should be able to figure out on its own how the company will likely react.

Delivering bad news in the most sensitive way possible, Freeman argues, is more than a matter of moral behavior. There are practical ramifications from handling it clumsily. For instance, she notes that a company that has announced layoffs will occur slowly still wants the workers in the affected department to be productive in the meantime, and doesn't want to worry about them sabotaging the company somehow.

Lastly, Freeman says a company's rough handling of an already difficult problem may affect how the public, or its clients, perceive it. "An ex-employee has an enormous power, if he or she is disgruntled, to bad-mouth the company," she explains. Freeman points out that while this was always the case, today's technology, including blogs, e-mail, and the relatively easy creation of personal Web sites, makes an angry ex-worker all the more powerful in turning away future business from the company behind his or her wrath.

## Project Management Mismanaged

**If your organization's goals are falling short of the plans you made, you're not alone.** According to a recent survey of 1,900 managers and individual contributors on the quality/effectiveness of project teams conducted for *Quality Progress* magazine, project management often has no business managing anything at all.

Less than half, or 47%, of their organization's projects always/often meet their goals, said respondents to a nationwide survey, and only one-third, or 33%, is always/often completed on time and on budget.

Conducted in September with the aid of consulting firms Guttman Development Strategies in Ledgewood, N.J., and Princeton, N.J.-based Kepner-Tregoe, the survey netted 1,905 responses from managers and individual contributors in a cross-section of industries. Questions aimed to discover how projects are generally managed in organizations, including how well individual projects are led, planned and executed, and what causes projects to veer off track.

Unfortunately, feedback from respondents indicated there is no shortage of causes leading to the lackluster completion rate of projects. Nearly 46% said their project teams aren't often given clear, attainable goals, and almost 69% said their teams aren't usually given enough resources to accomplish goals. The news is just as bad on the management of the people charged with doing the actual work. Just about 55% of respondents said the right people aren't usually selected to lead and/or serve on project teams, and 80% said employees don't often receive training in project management methodology before serving on a project team.

Consideration also isn't given to the need to help employees assigned to a specific project balance the work with their other duties. More than 84% of respondents said that, when serving on a project team, employees aren't often relieved of some of their routine responsibilities. Getting through the chore of project completion isn't made any easier by the typical lack of set protocol to follow; 62% said it isn't customary for project teams throughout the organization to follow a standard methodology to define, plan and implement projects. This lack of structure is worsened by the interpersonal issues that frequently plague project management. Fifty-one percent indicated that their team dealt with conflict in a healthy, open manner, but the remaining 49% said conflicts were suppressed on their team.

*Quality Progress*, a magazine focused on the field of quality improvement, is the flagship publication of the Milwaukee-based American Society for Quality.

## Preparing Your Organization for Change

The next time your business has a big change in the works—for instance, corporate restructuring, or a new way of approaching work with clients—it might behoove your department to keep in mind some pointers, or best practices in change management, says Richard Axelrod, president of the Chicago-based Axelrod Group, and author of the 2004 book, *You Don't Have to Do It Alone: How to Involve Others to Get Things Done*.

"The real foundation is about purpose," says Axelrod of preparing your company's employees for change, "being really clear about what you're trying to create." Sometimes the stated goal belies what really matters to an organization. He says, for instance, that in his work with a hospital group, the stated goal was to get \$30 million out of the budget, but in his discussions with organization leaders, it became apparent that the real goal was more closely related to quality. "The real goal was to create a system that worked for docs and staff that provided the best healthcare possible in the most efficient way," he notes. "So, they got their \$30 million, they did achieve that, but it wasn't the dollars driving it. In this case, what they were trying to do is change culture and systems."

Keep in mind, he advises, that good change management isn't so different from effective project management. He says to focus on "what's going to be different as a result of this."

Once purpose is firmly understood, move onto deciding which persons in the company you'd like to involve to reach the goal. While doing this, it's important not to mislead potential participants about the level of involvement you are asking of them, Axelrod says. "I think the thing that really upsets people is when they think they have more of a voice or say than is actually being provided," he explains. "You have to be clear if this is something you're just asking for feedback on, if the decision has already been made and you're asking about implementation, or if it is wide open."

Meanwhile, it is also essential to set limits. He says that by telling people what they're not going to be able to do, you're also helping them focus on where their input will actually be of use. "If you're clear about limits, it gives people freedom because they know within this boundary I can put my energies, and I'm not putting my energies where I don't need to put them." At the same time, he cautions moderation in drawing the lines. "If boundaries are too tight, people will say, 'Why did you say you needed my input, when you've already decided what you want to do?' If [the boundaries are] too loose, then people get lost."

# Set Limits at Work to Beat Burnout

By Mary Ellen Slayter

It's easy to snicker every time another high-level executive steps down to "spend more time with his family." Especially since such announcements are often closely paired with reports about earnings that must be restated, plummeting stock prices or federal indictments.

But what if they are telling the truth? Can even "the perfect job" get to be too much?

**Burnout is real, and it doesn't strike just middle-aged workers at the top of their game.** If anything, super-ambitious young workers seem especially vulnerable. They have known what they want to do with their life since oh, age 6, and everything since then has been a relentless pursuit of that goal. So what happens when they reach it? And even worse, when it doesn't turn out to be what they thought it was? Burnout can happen in a year, or it can happen in a decade.

"Burnout is an internal issue," said Mike Staver, an executive coach in Fernandina Beach, Fla. "There's no real correlation between hours spent doing something and burnout because it isn't just about activity." At its core, he said, burnout is the result of investing more and more energy for less and less return. Eventually, it leads to collapse.

Most of Staver's clients are older workers, but he has seen signs of burnout in people of all ages. In young people, he said, burnout is often a result of hyperstimulation and confusion about where to invest energy. "Somewhere we got this mindset that more choices would mean better choices," he said. "And that's not necessarily true."

So we hop around from one big thing to another, wondering why they all leave us exhausted and unfulfilled. Often it's not the specific career, though, or the job. It's the way we have structured our lives and the habits and expectations we have brought from school to the workplace.

While many older workers can trust their families to pull them back out of the fire (even if they must come kicking and screaming), young workers are often on their own.

But there are things you can do to control the damage while you figure out if any big changes are needed.

- **Limit the stimulation.** You might look like a Luddite to your friends if you withdraw, but that iPod at your desk is really not helping matters. Nor is the constant stream of instant messages. If most of your work is at a computer and the Internet is proving a constant distraction, you're going to have to get the surfing and chatting under control. Staver recommends an old-fashioned solution to the problem of chronic multitasking: Set aside blocks of time to complete specific tasks. Don't allow yourself to be interrupted for other things. This works particularly well with managing e-mail, because your reward for responding to e-mails is—of course—more e-mails. You could easily sit there all day answering them as they pop in, never getting anything else done. Doing this will take discipline, Staver warns, but in the long run, the habit pays off.
- **Limit the obligations.** "What you say no to means more than what you say yes to," Staver said. "We don't have infinite time and energy." Concentrate your efforts on what means most to you. This might feel weird at first, since many twenty- and thirty-somethings grew up in an environment—24-hour shopping, movies on demand and the constant flicker of video games—that equates old-fashioned resting with "boring." You're not a loser if you're asleep by midnight every Thursday while your friends are trolling for dates at the neighborhood bar; you're well-rested for work the next day.
- **Limit the power that mistakes have over you.** When you're just starting out, it's easy to obsess about every little error you make on the job. And you'll definitely make plenty; that's just part of being young. But you should be learning from those mistakes and moving on. Otherwise, you're just wasting precious energy on yet another thing you can't control—the past.

SOURCE: *Washington Post*



# Running Background Checks

You must respect applicants' privacy rights when conducting background checks.

When you are making hiring decisions, you might need a bit more information than your applicants provide. After all, some folks give false or incomplete information in employment applications. And workers probably don't want you to know certain facts about their past that might disqualify them from getting a job. Generally, it's good policy to do a little checking before you make a job offer.

However, you do not have an unfettered right to dig into applicants' personal affairs. **Workers have a right to privacy in certain personal matters, a right they can enforce by suing you if you pry too deeply.** How can you avoid crossing this line? Here are a few tips to keep in mind:

- **Make sure your inquiries are related to the job.** If you decide to do a background check, stick to information that is relevant to the job for which you are considering the worker. For example, if you are hiring a security guard who will carry a weapon and be responsible for large amounts of cash, you might reasonably check for past criminal convictions. If you are hiring a seasonal farm worker, however, a criminal background check is probably unnecessary.
- **Ask for consent.** You are on safest legal ground if you ask the applicant, in writing, to consent to your background check. Explain clearly what you plan to check and how you will gather information. This gives applicants a chance to take themselves out of the running if there are things they don't want you to know. It also prevents applicants from later claiming that you unfairly invaded their privacy. If an applicant refuses to consent to a reasonable request for information, you may legally decide not to hire the worker on that basis.
- **Be reasonable.** Employers can get into legal trouble if they engage in overkill. You will not need to perform an extensive background check on every applicant. Even if you decide to check, you probably won't need to get into excessive detail for every position. If you find yourself questioning neighbors, ordering credit checks, and performing exhaustive searches of public records every time you hire a clerk or counter-person, you need to scale it back.

In addition to these general considerations, specific rules apply to certain types of information:

- **School records.** Under US Federal law and the law of some US states, educational records—including transcripts, recommendations, and financial information—are confidential. Because of these laws, most schools will not release records without the consent of the student. And some schools will only release records directly to the student.
- **Credit reports.** Under the Fair Credit Reporting Act, employers must get an employee's written consent before seeking that employee's credit report. Many employers routinely include a request for such consent in their employment applications. If you decide not to hire or promote someone based on information in the credit report, you must provide a copy of the report and let the applicant know of his or her right to challenge the report under the FCRA. Some states have more stringent rules limiting the use of credit reports.
- **Bankruptcies.** Federal law prohibits employers from discriminating against applicants because they have filed for bankruptcy. This means you cannot decide not to hire someone simply because he or she has declared bankruptcy in the past.
- **Criminal records.** The law varies from state to state on whether, and to what extent, a private employer may consider an applicant's criminal history in making hiring decisions. Some states prohibit employers from asking about arrests, convictions that occurred well in the past, juvenile crimes, or sealed records. Some states allow employers to consider convictions only if the crimes are relevant to the job. And some states allow employers to consider criminal history only for certain positions: nurses, childcare workers, private detectives, and other jobs requiring licenses, for example. Because of this variation, you should consult with a lawyer or do further legal research on the law of your state before digging into an applicant's criminal past.
- **Workers' compensation records.** An employer may consider information contained in the public record from a workers' compensation appeal in making a job decision only if the applicant's injury might interfere with his or her ability to perform required duties.
- **Other medical records.** Under the Americans with Disabilities Act, employers may inquire only about an applicant's ability to perform specific job duties—they may not request an employee's medical records. An employer may not make a job decision (on hiring or promotion, for example) based on an employee's disability, as long as the employee can do the job, with or without a reasonable accommodation. Some states also have laws protecting the confidentiality of medical records.
- **Records of military service.** Members and former members of the armed forces have a right to privacy in their service records. These records may be released only under limited circumstances, and consent is generally required. However, the military may disclose name, rank, salary, duty assignments, awards, and duty status without the member's consent.
- **Driving records.** An employer should check the driving record of any employee whose job will require large amounts of driving (truck drivers, delivery persons or bus drivers, for example). These records are available, sometimes for a small fee, from the state's motor vehicles department.

## SDDC Unveils New Project Management Office

The Military Surface Deployment and Distribution Command (SDDC) is pleased to announce the establishment of the Defense Personal Property System (DPS) Project Management Office (PMO). The primary responsibilities of the DPS PMO are to provide an efficient oversight process for the development and delivery of DPS, ensure a timely rollout of a high-quality system and educate stakeholders about this new system.

**DPS will be the one system, one standard, worldwide web-based solution that will support Families First, the future Department of Defense (DoD) Personal Property Program.** The development of a broad-based, enterprise-wide system such as DPS represents a magnitude of complexity that has never before been attempted by DOD in the personal property arena.

As part of the “strategic pause” announced in November 2005, SDDC held a Non-Advocate Review (NAR) to discuss ways to maximize the effectiveness of Families First and DPS development. SDDC is implementing recommendations of the NAR, such as establishing a clear management structure (i.e., the new DPS PMO), implementing a structured review process, and performing iterative stress testing on development and production environments. Third-party reviews including a source code review and an architectural design review have already taken place.

**With the establishment of the DPS PMO, US Transportation Command and SDDC Senior Leadership have renewed their commitment to keep stakeholders updated on the progress of DPS development at all levels.** In December, SDDC provided program status briefings to both the House Armed Services Committee and Senate Armed Services Committee. The General Officer Steering Committee receives updates at frequent meetings, most recently in January,

with a follow-up tentatively planned for April. Maj. Gen. Charles W. Fletcher, Jr. will also provide regular updates directly to Services Headquarters. The DPS PMO provides monthly In-Progress Reviews to the Council of Colonels and Captains of the Military Services, the US Coast Guard and the Transportation Service Providers Associations.

To further prepare stakeholders for the new system, USTRANSCOM is considering the release of selected DPS modules for use by stakeholders prior to rollout. These modules will be considered for release following Independent Verification and Validation testing and prior to Software Acceptance Testing. Stakeholders will have an opportunity to familiarize themselves with DPS functionality and provide feedback to DPS PMO. The feedback received from users will be evaluated and prioritized through the Configuration Control Board for possible future inclusion into DPS.

SDDC is taking steps to ensure that the current program, Transportation Operational Personal Property Standard System (TOPS) and other component systems such as the Central Web Application (CWA) are adequately maintained and resourced during this delay. As phase I of Families First, CWA software enhancements and fixes will continue as well as online training. SDDC will continue to hold training sessions on CWA as well as participate in the following conferences: SDDC European Workshop (April 2–6), and the annual SDDC Training Symposium in Nashville, Tenn. (May 1–4).

By establishing a PMO dedicated to DPS, SDDC is demonstrating its continued commitment to the successful launch of DPS and Families First. The Defense Personal Property System, DPS, is the future of all personal property moves and provides one system, one standard, worldwide to benefit all stakeholders.

To learn more about DPS and Families First, please visit the SDDC Families First website at <https://www.sddc.army.mil/public/Personal+Property/Families+First/>

## **Transportation Management Training**

**T**ransportation Management Training (TMT) will offer a Certified Military Mover (CMM) course April 17–19 hosted by JPPSO-COS, Colorado Springs, Col. This course is in conjunction with the JPPSO-COS Regional Carrier/Agent Meeting.

The CMM course is for carriers, agents and Department of Defense (DOD) personnel. With the changing government ru□

DOD personal property program. TMT has developed a proven training course for the moving industry in the management of personal property for the Military. Its goal is to bring companies more revenue and provide a high standard of customer service to the soldiers, sailors, airmen, and Marines defending our nation.

The comprehensive CMM course teaches your employees how to use, find, and interpret the rules and regulations of the DOD Personal Property Program and provides your team with up-to-date information in regards to Families First.

TMT offers a satisfaction guarantee. If you are not satisfied with the results, the tuition is free. Tuition includes a working student guide, Defense Transportation Regulations Part IV, Domestic Rates Guide, and a certificate of completion. Tuition is \$400 or \$350 for companies that send multiple students.

To register for the CMM or to host a course in your area contact Ron Conardy at 314-322-1428 or [rconardy@aol.com](mailto:rconardy@aol.com). Please provide your company name, name of the students, address, and phone number. To register online, go to [www.gotmt.com](http://www.gotmt.com). Check, cash, Visa, and MasterCard are accepted.

## **SDDC Awards Domestic LTL Contract to MagRabbit-Stonepath**

The US Military Surface Deployment and Distribution Command has awarded a 3-year contract to MagRabbit-Stonepath LLC to provide less-than-truckload surface transportation requirements throughout North America. MagRabbit said the contract guarantees minimum revenue of about \$123,000 with a potential of \$7.7 million in revenue over the 3 years. MagRabbit-Stonepath is a joint venture between third-party logistics company's MagRabbit Inc. from Austin, Texas, and Seattle-based Stonepath Group.

## US, Japan Agree on Relocation Costs

By Mari Yamaguchi  
Associated Press

Japanese Prime Minister Junichiro Koizumi said recently that Tokyo is ready to shoulder part of the cost to relocate thousands of Marines from a southern Japanese island to Guam as part of a US military realignment plan.

Koizumi did not specify the amount but said Japan's contribution is to help relieve some of Okinawa's burden of hosting most of 50,000 US troops stationed in Japan.

"In order to reduce Okinawa's burden with US military bases, Japan is ready to shoulder the cost to a certain extent," Koizumi told a parliamentary budget committee. "We will further negotiate to determine the amount."

**Japanese media have reported that the United States has asked Japan to cover 75% of the estimated \$7.6 billion needed for the partial relocation of the Marines.** But Koizumi refused to specify the figures.

"The United States has presented its views, but Japan has its own, and we plan to convey that," he added.

Residents near the troop installations, particularly on Okinawa, have long opposed their presence citing the crowding, noise and crime associated with the bases.

In 1995, an uproar over the rape of a 12-year-old girl by three US servicemen on Japan's southern island of Okinawa triggered massive protests and led to the relocation of an air base to a less densely populated part of the prefecture.

"Reduction of the US Marines (on Okinawa) has been a desperate hope of the Okinawan people. As (Japan's payment) contributes to a large reduction of Okinawa's burdens, it would be desirable to achieve the relocation as quickly as possible," Defense Agency chief Fukushima Nukaga was quoted by Kyodo News agency as telling the parliamentary committee.

The unprecedented spending for another country's military would require a parliamentary approval via a special law. Tokyo and Washington concluded an interim agreement on the realignment, and a final pact is due at the end of March. But the plan has raised local opposition.

Iwakuni, in southern Japan, solidly rejected the proposal in a plebiscite on Sunday, and the mayor urged Tokyo on Thursday to scrap the plan.

The proposal would transfer some 7,000 Marines from Okinawa to the US Pacific island territory of Guam. It would also boost troop numbers and upgrade facilities at a US Army base south of Tokyo, and move the air wing from the carrier Kitty Hawk, now based near Zama at Atsugi City, to Marine Corps Air Station Iwakuni.

American troops have been stationed in Japan since the end of World War II in 1945.

## Navy to Assess Feasibility of Outsourcing Some Jobs

By William Welsh, *Washingtonpost.com*

Four Washington-area companies and three other firms have been awarded contracts to help determine whether the Navy should outsource some jobs to the private sector or continue to perform them internally.

BearingPoint Inc. of McLean, Va., BAE Systems North America of Rockville, Md., Omnitech Solutions Inc. of Bethesda, Md., and Warden Associates Inc. of Springfield, Va., won the contracts for the Navy's strategic sourcing program, as did Grant Thornton of Chicago, Ill., Unity Consultants Inc. of Chesapeake, Va., and E. L. Hamm and Associates Inc., of Virginia Beach, Va. The firms will compete for work under the program.

The companies are to support Navy and Marine Corps preliminary planning under the A-76 program. "Strategic sourcing" refers to sourcing with an eye toward finding the most efficient means of operating. A-76 is an Office of Management and Budget document that sets forth how government agencies decide whether to outsource functions. The process pits government workers against contractors to determine who can best perform a particular government task, such as managing a military depot or providing support to an agency's computer users.

The Navy needs services such as preliminary planning support for competitive sourcing studies; preparing performance-based and traditional statements of work; and assisting with market research that identifies potential contractors and compares commercial industry standards against current government standards.

Each of the contracts has a ceiling of \$60 million over a 5-year period.



## NDTA Scholarship Auction

For the second year in a row HHGFAA was a major sponsor of the fundraising auction for the National Defense Transportation Association (NDTA–DC Chapter) A-35 Scholarship Educational Program. The event was held at the historical Alexandria Lyceum in Alexandria, Va., and over 250 participants were in attendance, including most of the HHGFAA professional staff. The silent and live auctions included a variety of items that were donated by numerous sponsors from both the military and private sector.

Steve Gabarney of IBM coordinated the event and acted as the Master of Ceremonies. Attendees included notables from SDDC and the various military services, as well as the Office of the Secretary of Defense. Other notable sponsors included the Logistic Management Institute (LMI), IBM Consulting, American Shipping Group (Totem Ocean Trailer Express), American Roll-On Roll-off Carrier, and US Bank/PowerTrack.

The NDTA A-35 Group involves young professionals under 35 years of age and includes a number of students from colleges around the country. The HHGFAA Young Professionals (YP-35) organization was patterned after NDTA's A-35 Group.







# Young Professionals

“Leadership Through Innovation”

## **YP-35 Election 2006—Get Involved!**

**2 Positions Up for Election • All YP-35 Members Are Eligible**

### **CHAIRMAN—Responsibilities:**

- Appoint YP-35 Management Board
- Run YP-35 Management Board Meetings / Annual Meeting
- Run YP-35 Membership Meetings (1 per year at HHGFAA Annual Meeting)
- Sit on Executive Committee of HHGFAA
- Attend Executive Committee Meetings in Person (3 meetings per year; one of these meetings is 1 day before HHGFAA’s Annual Meeting; the other two meetings are in the United States and you will be reimbursed for air travel, food, and lodging)
- Sit on Alan F. Wohlstetter Scholarship Fund Board
- Maintain YP-35 Chairman’s page on Website

### **VICE CHAIRMAN—Responsibilities:**

- Assist Chairman in appointing YP-35 Management Board
- Sit on Alan F. Wohlstetter Scholarship Fund Board
- Oversee the design and content of bimonthly YP-35 **Portal** page and advertising
- Organize and coordinate YP-35 functions/ events at HHGFAA Annual Meeting
- Act as liaison between HHGFAA administration and members with regard to membership issues

Interested YP-35 members must notify at least one member of the Nominating Committee by May 1, 2006. Profiles of candidates will be published in the May/June issue of **The Portal**.

## **2006 Nominating Committee**

NICOLE FISK / Executive Insurance Services  
Nicole@execinsurance.net

JULIA PAIVA / Aloha International  
Julia@hawaiimovers.com

NOELIA OVIEDO / Argentina International Moving  
argenmove@argenmove.com.ar

An organization within the HHGFAA for Young Professionals 35 years of age and under



PLEASE NOTE: It is up to YP-35 members to maintain current data on the Website. Please take a moment to log in and verify your information. Make sure that your birth date is listed! If you have difficulty accessing the Website, or if you have questions or ideas concerning YP-35, please e-mail [ruby@euro-america.net](mailto:ruby@euro-america.net).

## ALAN F. WOHLSTETTER SCHOLARSHIP UPDATE

The Alan F. Wohlstetter Scholarship Fund is the cornerstone for the HHGFAA Scholastic Assistance Program, which is aimed at promoting and supporting individuals engaged in higher education involved in the areas of transportation and logistics. Donations (by major annual giving levels) to the Alan F. Wohlstetter Scholarship Fund received to date are as follows:

### Platinum (\$5,000 or more)

Manchester Grand Hyatt Hotel, San Diego  
Marriott Wardman Park Hotel, Washington, DC  
\*Matson Navigation  
Trans-Atlantic American Flag Liner Operators

### Gold (\$2,500–\$4,999)

Continental Van Lines  
Deseret Forwarding International, Inc.  
P & F Safepac Company Ltd.

### Silver (\$1,000–\$2,499)

All American Moving Group, LLC  
Apollo Transportation Companies  
Approved Forwarders  
Blonde International, Inc.  
Denali Group Companies  
Dewitt Transportation Services of Guam  
Evergreen Forwarding, Inc.  
Han & Ella Helder  
Jet Forwarding Inc.

Jack Kagan  
National Van Lines, Inc.  
Royal Hawaiian Movers  
The Pasha Group  
J. W. and Heike Westbrook

### Bronze (\$500–\$999)

7M Transport, Inc.  
A & P Shipping Corp..  
AALCO Forwarding, Inc.  
American Red Ball International  
Arpin International  
Cartwright International Van Lines, Inc.  
Terry R. Head  
Interstate Worldwide Relocation  
North & South Logistics, Inc.  
Paul Arpin Van Lines, Inc.  
R. J. Hudson Associates  
S & E Transportation  
Southern Winds International  
The Community Foundation, Inc.

The Suddath Companies  
True North Relocation

### In Kind or Other

AAA Heartland Express  
Jackie & George Agner  
American Moving & Storage Association  
American World Forwarders, Inc.  
Belvian and Gloria Carrington  
Bridgette R. Galbreath  
Dell Forwarding, Inc.  
Gateways International, Inc.  
Mr. & Mrs. Stanley Goldman  
HC & D Forwarders International, Inc.  
Terry R. Head  
National Forwarding, Inc.  
Ocean-Air International, Inc.  
Pearl Forwarding, Inc.  
S & E Transportation  
The Day Companies, Inc.  
Vanpac Carriers, Inc.

NOTE: \*Denotes contribution received since the January/February issue of **The Portal** was published. *This list reflects only contributions received since September 1, 2004.*

Join this prestigious list of contributors by sending your contribution TODAY! For more information on how to donate, please go to [www.hhgfaa.org](http://www.hhgfaa.org) or [www.yp-35.org](http://www.yp-35.org). Make checks payable to Alan F. Wohlstetter Scholarship Fund.

### Alan F. Wohlstetter Scholarship Fund

5904 Richmond Highway, Suite 404 • Alexandria, VA 22303 • (703) 317-9950 • Fax (703) 317-9960

The Board of Directors of the Alan F. Wohlstetter Scholarship Fund urges you to consider a contribution or donation to the Scholarship Fund as part of your year-end tax strategy or as you formulate your company budgets for next year. Please advise your employees that scholarships are available to qualified candidates of any HHGFAA company worldwide. For further information, visit [www.yp-35.org/](http://www.yp-35.org/).

## Congestion Could Crush US Ports by 2010

By Bill Mongelluzzo

Recent operational improvements should keep congestion at bay for the next few years, but the US port and intermodal networks could be overwhelmed with cargo by 2010.

“The question is not if, but when, the system becomes congested,” Doug Tilden, president of Marine Terminals Corp., told The Journal of Commerce’s Trans-Pacific Maritime conference recently.

Ports and railroads still feel the pain from 2004, a disastrous year when the intermodal rail networks were clogged, up to 100 vessels were forced to wait at anchor for berths in Los Angeles and Long Beach, and a severe labor shortage crippled marine terminal productivity.

The international transportation industry in 2005 corrected those problems and enjoyed a year of relative prosperity, Tilden said. Shippers and carriers relieved stress on LA-Long Beach by diverting services to the Pacific Northwest and the East Coast. West Coast employers did a much better job of managing their labor supply and hiring more longshoremen.

Railroads addressed bottlenecks at their intermodal yards and along their main lines. The Southern California ports improved productivity by reducing free storage time for containers and extending gate hours to nights and weekends. Terminal operators improved gate productivity through the use of information technology, while terminals in New York-New Jersey and Virginia managed successful chassis pools.

While these policies will be maintained in the years ahead, the big gains in productivity have been realized and future gains will be incremental, Tilden said. At the same

time, cargo volumes will increase rapidly as ports in North America add a total of 4 million TEUs a year to the current annual volume of 44 million TEUs.

What this means is that the event-driven congestion problems of the past that were spawned by railroad mergers and labor issues will evolve to systemic congestion problems that could crush the system, Tilden said.

“All components of the U.S. supply chain are stressed,” he said.

The intermodal transportation network should be able to stay one step ahead of the congestion problems over the next few years, said Jon DeCesare, chief executive of WCL Consulting in Long Beach. The US economy will begin to

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### “All components of the US supply chain are stressed.”

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soften later this year and remain sluggish through 2007, helping to moderate the growth of imports from Asia. The economy will bounce back in 2008 and 2009, though, setting the stage for a surge in congestion problems by 2010, DeCesare said.

Ports in the United States will be unable to build their way out of danger over the next three years because of a lack of waterfront land suitable for development and environmental restrictions on expansion. Building new capacity in Canada and Mexico and at smaller US gateways will help but won’t solve the problem, Tilden said.

“If the projects planned for Mexico, the United States and Canada are all available over the next three years, they will barely handle the three years of growth that will occur,” he said.

Existing ports and terminal operators that now average 2,000 TEUs per-acre on the East Coast and 5,000 TEUs on the West Coast much achieve 10,000 to 15,000 TEU per-acre throughput common at world-class ports in Asia and Europe, Tilden said.

Terminal operators must use a free flow of information from customers to streamline container moves from the terminal gate, through the yard and on to the vessel, just as ports in Asia and Europe now do to maintain denser, more efficient operations, he said.

SOURCE: *Journal of Commerce Online*

# DP World's Ports Sale May Not Pinch

By Daniel Machalaba

**D**ubai Ports World may not regret having to sell or spin off its US holdings. The five US terminals at the center of the controversy weren't the most valuable part of DP World's recent \$6.8 billion acquisition of Peninsular & Oriental Steam Navigation Co., a bidding process that was driven by the global consolidation of a handful of large, non-US based container-terminal operators.

In fact, the US ports may be hard to unload because of the also-ran status of operations in Philadelphia, Baltimore, and New Orleans, which have stumbled in efforts to win container-shipping business from other ports. With a profit of £16.2 million (\$28.1 million) in 2004, the US operations represented only about 10% of P&O's £158.1 profit on its global port operations that year.

The US holdings don't include any container terminals on the West Coast, the nation's principal doorway to Asia. And even where it operates busy container terminals, New York/New Jersey and Miami, the Dubai-owned company shares ownership with other firms.

Still, the booming global freight economy and the US position as the largest consumer market in the world should help prop up the value of DP World's properties in the United States.

A day after the company backed away from the political fray, lawyers for DP World and US officials were discussing how to proceed. Officials say the transfer will be complicated, possibly involving asset swaps as well as cash.

Meanwhile, Congressional critics signaled they intend to closely monitor the deal and ensure that security is "tight as a drum," as Sen. Charles Schumer (D-NY) said.

DP World acquired the US terminal operations as part of the otherwise attractive assets of P&O, which are mainly in the non-US terminals. Purchase of the US operations by DP World, which is owned by the government of Dubai, became the focus of the current political firestorm over US port security.

Recently, DP World said it would divest the US port operations to a "US entity" as the best way to defuse the controversy. But maritime executives said there are only a few US-based companies experienced in operating marine container terminals. Terminal operators like DP World make money on the fees they charge ships to transfer cargo.

Maritime executives say the strongest parts of DP World's US portfolio are the container terminals in Miami and New York/New Jersey, with both ports experiencing strong cargo growth. In both Miami and New York/New Jersey, DP World shares ownership in the terminals with other operators.

The terminals in Philadelphia, Baltimore, and New Orleans, however, are considered less attractive, partly because they are located up rivers or bays and require ocean ship companies to sail their vessels longer distances to and from the open sea. The New Orleans operation is still recovering from Hurricane Katrina damages.

"These terminals don't have any special premium value on their own," says Paul Slater, chairman of First International Corp., a closely held worldwide maritime financial advisory company based in Naples, Fla. "They're more the Buicks than the Cadillacs of the terminal world."

Still, the value of the DP World US holdings may be a wild card, because they include other port services in addition to the actual marine terminal operations that have been at the heart of the recent controversy. Frank Fogarty, senior vice president for sales and marketing at P&O Ports North America in Iselin, N.J., says the US business sold to DP World includes operations in 22 US ports ranging from cargo handling to cruise-ship services, which adds to its value.

*SOURCE: Wall Street Journal*

## History of Containerization Website Launched

The History of Containerization (HOC) Foundation, Inc. has launched a Web site to highlight the upcoming 50th Anniversary of Containerization Gala Celebration scheduled for April 27, 2006, in Washington, DC. The site will also provide developments on the foundation's plan to establish a permanent museum for containerization. The HOC Foundation, a 501C3 charity, is inviting all transportation companies and individuals to contribute archives and historic items for cataloging and inclusion in the diverse plans for permanently acknowledging containerization's role as a remarkable innovation and stimulus for world trade.

Website: [www.hocfoundation.net/index.htm](http://www.hocfoundation.net/index.htm).

## Vessel Sinks in East Med Storm

A Maltese-flagged ship has recently sank in some of the worst weather seen in the eastern Mediterranean this year. The 3,750-dwt general cargo ship *Teklivka* was lost off Baltim, 45 nautical miles northwest from Damietta in March. Bad weather and high waves led authorities to close several Egyptian terminals around Port Said and Port Tewfik. The eastern branch of the Suez Canal near Port Said was also closed, resulting in disruptions to canal transits.

## Commemorations Approaching in May

A little-known American commemoration is approaching in May.

In 1933, Congress decreed May 22 as National Maritime Day, on which the United States observes its proud maritime heritage, honors the men and women who serve and have served as merchant mariners, and recognizes the many benefits that result from our American maritime industry. National Maritime Day also follows on the heels of National Transportation Week, which the US Department of Transportation has announced will run the week of May 14–20.

This year the US Maritime Administration (MARAD), supported by several maritime groups, will introduce an awareness campaign, called "Maritime Matters," designed to communicate the value of the industry to the economy, national security, jobs, environmental protection, agriculture, quality of life, and more.

For example, according to MARAD, US ports and coastal and inland waterways support the annual movement of more than 2.5 billion tons of domestic and international commerce. They also generate significant local and regional economic development, support nearly 5 million jobs, and provide facilities for some 8 million cruise and 113 million ferry passengers annually.

On May 22, commemorative activities will take place across the country, at seaports and along inland waterways in combination with National Maritime Day observances in Washington, DC.

For more information, visit <http://www.marad.dot.gov/> and click on the "National Maritime Day" toolbar.

## Oman Port Joins Container Security Initiative Roster

US Customs and Border Protection officers are now helping their counterparts in Oman identify outbound cargo shipments from the Port of Salalah for inspection. There are now 43 ports worldwide that are part of the Container Security Initiative, a program developed after the Sept. 11, 2001, attacks to extend the borders by stationing Customs officers overseas and working with host nations to inspect cargo headed to the United States. Oman joins the United Arab Emirates as Arab Gulf nations that participate in the US cargo security program.

## Matson Launches China-US Service

Matson launched its new China express service in February with calls in Ningbo and Shanghai. This marks the US-flag carrier's entry into the trans-Pacific after more than 100 years as the leading carrier in the US mainland-to-Hawaii trade.

Matson's 11-day transit from Shanghai to Long Beach is one of the fastest times in that key trans-Pacific trade lane. While Hawaii and Guam remain its core business, Matson views China as presenting significant growth opportunities so it decided to enter the China-US trade with its own vessels and its own office network in China.

The port rotation on the Matson service is Long Beach, Honolulu, Guam, Ningbo, Shanghai and Long Beach. The transit time from Ningbo to Long Beach is 13 days.

*SOURCE: Journal of Commerce Online*



## International Air Freight Recovers

International air freight traffic surged up 5.3% in January and 5.5% in December, the sharpest growth trend in more than a year and a sign that the industry may be coming out of a stagnant period. Traffic growth for the whole year of 2005 was only 3.2%.

“The industry is on track with 2006 growth expectations of 5-6% for both freight and passenger traffic,” said Giovanni Bisignani, director general and CEO of the International Air Transport Association. Freight is starting to show a strengthening trend with the second consecutive month of freight traffic growth above 5%, said Bisignani.

Middle Eastern carriers showed the strongest freight growth for January at 9.4%. Asia-Pacific traffic grew at 8.3%, up from 4.2% full year growth for 2005 boosted by strong growth in Chinese trade and a recovering Japanese economy. Bisignani warned that rising fuel costs threatened profitability even as traffic and revenue increase. Non-fuel costs dropped by 13% over the past 4 years. Further efforts to cut costs are needed, he said. Matching capacity to demand also challenges airlines as record numbers of new aircraft are delivered this year and next.

*SOURCE: Air Cargo World*

## All-Cargo Share to Expand

US airlines will see more of their air freight market shift to the all-cargo carriers in the next dozen years, and away from the combination passenger-cargo airlines, according to a new forecast by the Federal Aviation Administration. The FAA projections, in line with private forecasts and those of aircraft builders, point to some slowing in the freight market shift to cargo carriers after sharp increases over the past decade. Boeing is testing a revamp of the 737 for transcontinental flights: stripping half of the seats and filling the cargo space with extra fuel tanks. This will allow carriers using the new 737 to offer nonstop flights that will shave hours off of the trip to Europe and Asia from the United States, for the same rates as current flights on large 747s and 757s with stopovers and flight changes.

In addition, these new flights will have an average of 48-60 people per flight as opposed to the hundreds on most transcontinental flights today. Over time, this trend to smaller craft, moving more direct routes at faster speeds, will ultimately slow the cargo capacity of passenger jets, placing heavier reliance on the all-cargo lines for the movement of goods.

*SOURCE: Roadway Express—Business Intelligence*

## Starbucks to Increase Cargo Security

Starbucks plans to install high-tech sensors to detect tampering with its cargo containers filled with coffee beans shipped from Guatemala. A study by the Homeland Security Department warned such containers can be opened secretly during shipment to add or remove items without alerting authorities. Part of the study tracked shipments of coffee beans from a Guatemalan mill to a plant in Washington state and found serious security problems. The report complained coffee beans were accessible to anyone entering the facility. Starbucks said sensors attach magnetically to the inside of containers and record any opening of the doors.

*SOURCE: NBC4TV Southern CA*

Editor's Note: Could such technology be far behind for the international moving industry or other cargos where the chain of possession or access is difficult to control?

## Airfreight Grows Globally

The global airfreight business is returning to the growth that sustained the industry before the bottom fell out during the dot-com bubble of 2000 and the impact of Sept. 11, 2001. The watchword is no longer “west,” but “global.” Many companies are finding ways to shorten the logistics cycle - but require more expedited air cargo movements of goods. In addition, sourcing strategies have advanced to the juncture that companies are now getting products from parts of the globe where air coverage is a much faster move-to-market than waiting for port infrastructures to evolve.

*SOURCE: Roadway Express—Business Intelligence*

## Travel Checklist

Given the prospects of an avian flu pandemic, the US Centers for Disease Control and Prevention in Atlanta offers this advice:

- Be sure your vaccinations are up to date and you visit your doctor 4 to 6 weeks before your trip to get any additional ones.
- Assemble a health kit with basic first aid and medical supplies, including a thermometer and alcohol-based hand gel.
- Research in-country healthcare resources before your trip and check to see whether your health insurance covers medical evacuation in case you get sick.
- Visit the following Websites for the most current information: [www.cdc.gov/travel](http://www.cdc.gov/travel) or [www.travel.state.gov](http://www.travel.state.gov).

## Staying Safe When Traveling

- Leave expensive jewelry at home.
- Carry a second wallet with expired credit cards and a small amount of cash that you can hand over if mugged.
- In hotels, stay in rooms between the second and seventh floors so that you are above street level but low enough to be reached by fire truck ladders.
- On a plane, sit in a window seat at the rear, preferably in an exit row, so that you can get out quickly

### CFARES

<http://www.cfares.com>

The travel industry has gone through radical transformation over the past 5 years because of the Internet, where consumers will book \$75B in travel this year. Currently, a large majority of US Internet travel searches and bookings are for domestic flights, even though 30–40% of all US air travel is to international destinations. Why? Unlike domestic flights where airline inventory is stored in four large Global Distribution Systems (GDSs) which are accessible to all travel search sites and agencies, 40–50% of all international tickets are purchased by individual, wholesale consolidators. Consolidators negotiate deeply discounted fares with the airlines by guaranteeing certain volumes of ticket sales and then sell the tickets to large affinity groups and retail travel agencies. To get the best pricing on international flights, consumers need direct access to this consolidator inventory.

Redwood Shores, California-based Cfares ([www.cfares.com](http://www.cfares.com)) is a leading membership-based travel site offering precisely this service: real time, Web access to deeply discounted international airfares not generally available on traditional Internet travel sites. For your next US-originating international flights, check out Cfares and see how much you might save.

### JET LAG CALCULATOR

<http://www.bodyclock.com>

If you fly overseas a lot, you probably have experienced jet lag. Flying across time zones disrupts the body's natural rhythms, and it can take days before your internal clock adjusts. The Jet Lag Calculator ([www.bodyclock.com](http://www.bodyclock.com)) has some good advice on how to handle jet lag, and you can find tips based on the length of your flight. The basic idea, it seems, is to reset your body's clock by exposing it to light at strategic times. This site has products for sale that can help, but it also has free advice about when to go out in the sun, and how much light you need to be exposed to in order to alleviate the effects of jet lag. There is also useful information here about conditions like Seasonal Affective Disorder and insomnia.

*These items are copied from the newsletter Really Useful Sites for International Trade Professionals, a free, bi-weekly email publication of FITA - The Federation of International Trade Associations.*

## Strong Growth Among Women-Owned Firms

The number of women-owned businesses grew 20% between 1997 and 2002—twice as much as the national average. According to the US Census Bureau's newly released 2002 Survey of Business Owners, women owned 6.5 million businesses in 2002. Women-owned businesses made up nearly 30% of non-farm businesses in 2002, and they generated more than \$940 billion in revenue, a 15% increase over the 1997 level.

About 14% of women-owned firms had employees, accounting for more than 7.1 million jobs. However, while women-owned businesses made up about 30% of all businesses, their share of gross revenue was relatively small, about 4%.

The survey provides other details about the women-owned business sector:

- Nearly a third of women-owned firms operated in the health care and social assistance fields, as well as other services.
- Women owned 72% of all social assistance businesses and just over half of nursing and residential care facilities.
- Wholesale and retail trade accounted for almost 40% of women-owned business revenue.
- There were 117,069 women-owned firms with annual receipts of \$1 million or more.
- There were 7,240 women-owned firms with 100 employees or more, and they generated \$275 billion in gross receipts.
- The states where the number of women-owned firms grew fastest between 1997 and 2002 were Nevada (43%), Georgia (35%), Florida (29%), and New York (28%).
- The counties with the highest number of women-owned firms in 2002 were Los Angeles County, Calif. (265,919); Cook County, Ill. (130,418); Miami-Dade County, Fla. (88,173); New York County, N.Y. (86,364); and Harris County, Texas (86,042).

## S Corporations Beware!

The IRS is auditing more S corporations. These companies' earnings are passed through to their shareholders and taxed at shareholders' rates. The IRS is examining 5,000 randomly selected S corporation returns for 2003 and 2004. It last conducted a compliance study of this fast-growing type of corporation in 1984.

## **GET THE BIGGEST BANG FOR YOUR ADVERTISING BUCK — PLACE YOUR AD IN THE 2006 HHGFAA ANNUAL DIRECTORY**

The HHGFAA Annual Directory is used every day by managers and decisionmakers throughout the industry. Keep your name and message visible year-round through an advertisement in the 2006 HHGFAA Annual Membership Directory. It's a very cost-effective way to raise your profile with trading partners around the world.

Preparations are underway now to produce this year's edition of the Directory—an indispensable resource for HHGFAA members worldwide. There is limited space available for advertisements in the Directory, so act now! For rates and other information, contact Bel Carrington at HHGFAA by phone at (703) 317-9950 or via e-mail at [belcarrington@hhgfaa.org](mailto:belcarrington@hhgfaa.org).



### **IMPORTANT NOTE:**

Please don't forget to notify HHGFAA of any address or contact information changes that you wish to appear in the Directory. It's essential that the people who use the Directory all year long have the correct information and are able to contact you.

## Make the Most of Your Internet Presence

You've spent time, money and effort designing your company's Web site to promote sales and lure new customers. But is it working for you or against you?

It's one thing to develop a site that shows your business is technically savvy, but quite another to develop one that's easy for visitors to use effectively. It does no good to have a slick site with no sales. The smart shopper knows that if an online experience is slow or complicated, a competitor is just a click away.

So you need to outsmart the competition. Here are ten links to help beat out rivals and win online sales:

### Link 1: Address customer needs.

Your site needs to satisfy a critical need, whether it's speed, ease, information, low prices or special deals. Don't fall into the trap of thinking your Web site is an exercise in branding. It must serve the customer. If you don't meet that goal, your competitors might.

### Link 2: Target your audience.

Regardless of how large your Website is, keep it deep and narrow. Know who your customers are and target them. Keep the content heavy on the information and light on the marketing. You don't want watered-down content that means little to anyone and doesn't generate any business.

### Link 3: Make it thorough.

Illustrate your entire product line with pictures. If you don't let customers know everything you sell, you risk losing a sale. Link from one product to another related or complimentary item. Include the prices, tax, shipping costs and delivery times. Hiding any costs can leave customers feeling cheated, and they could go clicking off to the competition. Keep the site up to date. Remove discontinued products and add new ones as they are developed. Include a product search engine.

### Link 4: Include the FAQs.

Stay light on the marketing hype and dazzling graphics. Your customers don't want to be distracted from their purpose, which is to find what you offer and why it beats the competition. Include "FAQ" lists (frequently asked questions), but provide contact information so they can call or e-mail you if additional information is needed.

### Link 5: Keep it simple.

Online customers don't want to waste time. A Website must be easy to navigate and downloads must be fast. Otherwise, customers become

impatient and either surf somewhere else or call your company directly with a bad attitude. That defeats the purpose of the site, wastes the money you spent on it and risks alienating those customers and anyone else they talk to.

### Link 6: Make a statement.

Tell the customer why your company is in business, what your purpose is and how they can benefit from doing business with your company. A solid statement that helps consumers understand your competitive edge captures greater interest.

### Link 7: Promote your site.

You can design the slickest site in the world, but it's a waste if no one knows about it or visits. Make sure your online address is on all business cards, stationary and other materials your company prints. Send press releases about your products and what's happening in your industry. Hold monthly or weekly events on the site. Offer special deals to people who buy online. Get trade press coverage of your site and aim for print and broadcast ads. Remember, you can probably engage in barter deals with print publications, as well as other web sites. But keep this in mind: Your promotion must prompt people to either link to your site or write down your URL, go to their computer and actually take the time to visit. Otherwise, it's like inviting the governor to your ribbon-cutting ceremony but there aren't any shoppers in the parking lot.

### Link 8: Survey customers.

Use online questionnaires to survey what your customers want and expect. Ask for their e-mail addresses and inquire if they would like to receive promotional material. Ask visitors for feedback on your products and services. And if you receive some particularly good comments, ask the respondents if you can put them on your site as testimonials. Satisfied, real-life customers are likely to spark more business and sales.

### Link 9: Form partnerships.

Find other companies with Web sites and work out arrangements where you include links to their businesses and they include links back to yours. It's an added service for the customer that can generate business for all of the companies.

### Link 10: Follow up.

Pay attention to the e-mails you get and follow up promptly on any leads that arise from them. Also, keep the statistical information your site generates on customers. It helps you focus on meeting their specific needs, serving them better, and gives you a strong sense of what customers expect from you.

## HHGFAA Launches Interactive Job Board for HHG Forwarders, Transportation Professionals

In response to increased demand by employers and recruiters for highly qualified candidates for the international and domestic household goods transportation and forwarding industry, HHGFAA has launched an interactive job board tailored specifically to the needs of the household goods industry.

By visiting <http://www.hhgfaa.org/jobboard.html>, employers and recruiters can access the HHGFAA Job Board to post job openings, as well as reach a broad and diverse audience of household goods transportation and forwarding industry professionals seeking positions.

Employers using the HHGFAA Job Board benefit in several ways:

- **Targeted advertising exposure.** Job listings will be seen by an exclusive audience of household goods transportation industry professionals, reducing the workload when applications arrive.
- **Easy online job management.** Employers can enter job descriptions, check the status of postings, edit information, renew or discontinue postings and even make payments online.
- **Resume searching access.** With a paid job listing, search the database of resumes and proactively contact candidates; use an automatic notification system to receive email when new resumes match your criteria.
- **Build company awareness among qualified professionals.** Along with each job posting, employers can provide information about their company and links to their Website.
- **Competitive pricing.** Employers can benefit from the new HHGFAA Job Board for minimal cost.

Job seekers can benefit in several ways:

- **It is FREE to sign up,** and posting your resume might lead to that dream job.
- **Personal job folder.** Job seekers can come to the site and quickly save up to 100 jobs to a folder in their account to apply at their convenience.
- **RSS capability.** Users with RSS readers will be able to receive new job notifications as updated.

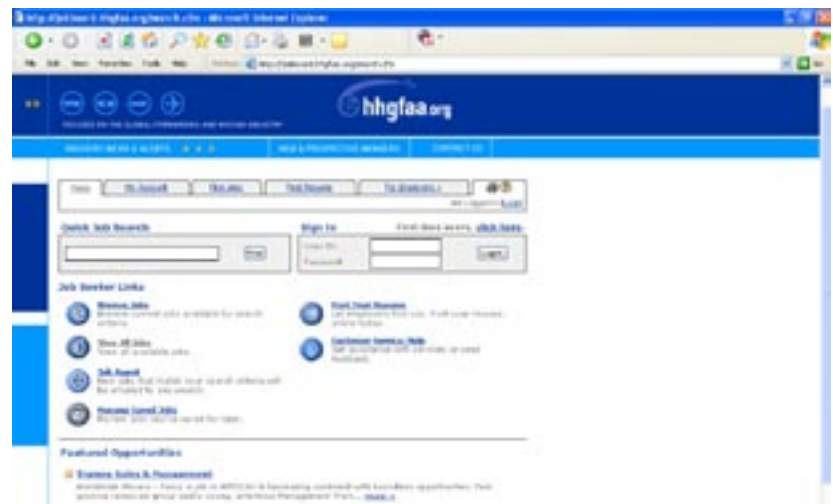
HHGFAA developed the HHGFAA Job Board in partnership with Boxwood Technology, Inc. In addition to hosting full-featured online Job Boards, Boxwood also provides technical support, Job Board customer service, accounting, content management, and ongoing product development.

For more information about Boxwood's products and services, visit [www.boxwoodtech.com](http://www.boxwoodtech.com) or call 800-331-2177.

HHGFAA Website: [www.hhgfaa.org](http://www.hhgfaa.org).



Visitors to HHGFAA's new Job Board will see a user-friendly screen.



Job seekers will sign in on a screen like this one, a first step in launching a job search..



Employers can use this screen to begin their search for qualified individuals for the job.



## More Complex Administrative Tasks Outsourced in Trucking

By Daniel P. Bearth

For some companies, outsourcing is the best option to handle many of the time-consuming and complex administrative tasks associated with freight transportation.

Robert Stranezek, president of Cresco Lines in Harvey, Ill., recently hired an outside firm to audit driver logs and said he is considering the same for fuel tax reporting.

That parallels the decision by Cresco management 15 years ago to outsource the administration of payroll and insurance to a professional employer organization (PEO), a company that provides personnel management services to many different companies.

"It's helpful," Stranezek said. "We have employees all over. I can get more affordable insurance because the PEO provides coverage for a much larger group of people than I could."

However, obtaining favorable rates on workers' compensation and health insurance is no longer the driving force behind decisions by fleet executives to outsource personnel management, according to leasing company executives. Today's executives seek services including driver screening, payroll, tax reporting, and employee leasing.

"Cheap insurance" is not available anymore, said to Ardell DeBerg, CEO of TLC Companies, a Minneapolis-based employee leasing firm with 10,000 workers at 450 work sites. So while insurance remains a "convenience" for clients, DeBerg said his firm now offers a broader range of services. "We help with the driver-screening process," he said. "We do motor vehicle record checks and criminal background checks. We do payroll and tax reporting."

Depending on the services provided, the cost of using a PEO can range from 18% to 30% of payroll, DeBerg said.

Chuck Schellenger, director of PeopLease Corp., Mount Pleasant, S.C., said interest in employee leasing, which in the past has been strongest among small and mid-size firms, is now growing among larger companies.

The demand for outsourcing of business processes, including finance and accounting, human resources and information technology, has been growing very rapidly, said officials with outsourcing firms and research and consulting companies. A study released in December by market consulting firm Gartner Inc. projected that demand in 2005 "will outstrip supply, creating a seller's market." Worldwide spending on business process outsourcing was projected to grow to \$176.1 billion in 2008 from \$112.9 billion in 2003, Gartner said.

For trucking, the decision to outsource is a logical one, according to Mark Cleveland, an executive with ACS TripPak Services, a unit of Affiliated Computer Services that manages driver logs for trucking companies.

"The reality is that it's less expensive to share infrastructure," Cleveland said. "You also have greater control with outsourcing because you are paying for performance," and costs can be tied to business activity, he said.

ACS provides data processing and mailing services for companies such as Saia Motor Freight Line, Atlanta, and U.S. Xpress Enterprises, Chattanooga, Tenn. ACS also operates an emergency breakdown call center for Miami-based Ryder System and maintains the IT infrastructure for Railine, a company in Cary, N.C., that provides interline rail data.

"You can't staff efficiently for [peak] ... requirements," said Cleveland. "[Our] call centers are staffed to handle similar calls for multiple customers. With IT outsourcing you gain expertise that you might not be able to afford as an average trucking company."

"What we do is help control time," PeopLease's Schellenger said, "so executives can expend time on running the business and not on personnel matters."

SOURCE: *Transport Topics*

## Report: US Long-Haul Trucking Industry Faces Worst Labor Shortage

The US long-haul trucking industry is facing the worst labor shortage crisis in its history, and the American Trucking Association estimates that the shortfall in drivers will increase fivefold to about 100,000 within a decade, according to a report in the New York Times. The article said the problem started in 2000 when average wages in construction and other blue-collar jobs exceeded those of long-haul drivers. The shortage in drivers is expected to intensify in the coming years with 219,000 of the nation's 1.3 million long distance drivers, who're aged over 55, likely to retire in the next 10 years. Apart from mounting a campaign to attract people into the business, many companies have started offering attractive benefits, such as stock options and health care packages to new recruits. In addition, the firms are also dishing out cash bonuses and attractive prizes to drivers who refer viable candidates. The report quotes Duff Swain, the president of the Trincon Group, a transportation consulting firm in Columbus, Ohio, saying that close to 10 per cent of major fleets were lying idle because of the manpower shortage. Mr Duff warned that with 75 per cent of all goods being transported by trucks in the US, it was only a matter of time before the shortage causes delays in products hitting the shelves, leading to consumer prices increasing due to rising transportation costs.

## **Freight Transporters Making Bird Flu Contingency Plans**

Trucking, rail and other shipping companies are busy making plans in case a bird flu pandemic hits the United States, Reuters reported recently. Companies are focusing on how they would function during a potential pandemic without spreading contagion in a business where human interaction is inevitable, Reuters said. The story quoted a spokesman for UPS Inc., as saying the freight transportation is “on the front line. The US Bureau of Transportation Statistics said in a January report called “Freight in America” that more than 10% of the US gross domestic product is related to transportation activity. The American Trucking Associations’ Agricultural and Food Transporters Conference has established an Avian Flu Task Force to help prepare the trucking industry for the possibility of an influenza pandemic. A growing number of infected birds found in Western Europe has raised concerns the often-fatal disease could mutate into a form that could be easily transmitted between humans, Reuters reported. The H5N1 bird flu virus has to date killed 97 people, mostly in Southeast Asia. Turkey is only country in Europe to record any human deaths from the disease, which so far can be transmitted only by direct contact with infected birds, Reuters said. Health officials and scientists warn such a pandemic could infect millions within months.

*SOURCE: Transport Topics*

## **Hitting the Bottlenecks?**

Have you ever wondered how much time and money your business wastes having trucks stuck in traffic?

A new study indicates that in 2004 highway bottlenecks caused trucks to idle some 243 million hours, costing trucking companies \$7.8 billion. Of course, those expenses get handed down to customers, whether you’re a direct customer of the trucking company or just a consumer.

The study was conducted by Cambridge Systematics in association with the Battelle Memorial Institute, for the Federal Highway Administration.

Those bottlenecks account for 40% of vehicle delays; the rest are caused by construction work zones, crashes, breakdowns, bad weather, and poor signal timing.

According to the American Trucking Associations, trucking is projected to haul 13 billion tons of freight by 2016, compared with 9.8 billion tons in 2004. Also by 2016, ATA estimates 3.7 million 18-wheelers will be operating on the nation’s highways, up from 2.7 million in 2004.

None of the 20 worst bottleneck spots are in or around Washington, DC. Some regions, however, seem to have epidemic levels of high bottlenecks: Atlanta has four of the top 20; Chicago/Northwestern Indiana has five; and Los Angeles has six. The worst of the worst, however, is Interstate 90 at Interstate 290 in greater Buffalo, NY.

*SOURCE: Washington Business Journal.*

*A look at the people and events shaping HHGFAA member companies*

## APPOINTMENTS



**Turner**



**Kookan**



**Cassell**

**Lewis Turner** recently rejoined **Asian Tigers** in Beijing as general manager for sales and marketing. Born in England, Turner emigrated to Sydney, Australia, when he was 20 years old. He worked for an airfreight forwarder/consolidator in both countries before joining Skypak International couriers (later to become part of the TNT group) and with them was posted to the United States, Malaysia, Hong Kong, the Philippines, and Korea. He returned to Australia to work for a Japanese courier company in Melbourne.

Turner then entered the moving industry and moved to Jakarta in 1987 where he joined Asian Tigers Lane Moving & Storage for what he thought would be a 2–3 year posting but it lasted 17 years. In 2004 he made the decision to return back to Australia with his family to a job with Grace Removals in Perth. But he was asked to return to Asia and the Asian Tigers, and he is now in Beijing, China, with **Allen Fan** and **Asian Tigers K. C. Dat**, where he is the general manager for sales and marketing. Along the way he managed to get married to an Indonesian lady, Ningsih (some of you may have met her at the HHGFAA Conference in Hawaii in 2003) and they have two daughters, Cassandra and Victoria.

**Crown Relocations** has named **Kerry Kookan** regional business development manager for the Gulf Region, based in Houston, Texas.

Kookan has been involved in the domestic and international household goods business since 1995. He was honored as Employee of the Year by a former employer and, in 2001, was ranked eighth in individual achievement for international booking revenue in a pool of 2,300 sales professionals.

Web site: [www.crownrelo.com](http://www.crownrelo.com).

**Crown Worldwide Group's** Logistics division, which provides FF&E (Furniture, Fixtures and Equipment) services for clients in the hospitality industry, specialized commercial import/export, freight forwarding and distribution services to expanding businesses around the globe, has named **Ben Cassell** to the position of Business Development Manager, Eastern Region, U.S.

Cassell previously has served as vice president, business development and vice president, marketing and sales at a leading van line and senior vice president, marketing and sales for all services. While experienced in the sales and marketing of household goods services, his key expertise is in logistics.

He has also served as an elected official and brings significant knowledge of government purchasing. For the past few years he has also headed up his own logistics consulting company, Alliance



**Barrett**



**O'Hara**



**Morris**

Management, and received his accreditation from the Institute of Independent Business in London.

Web site: [www.crown-logistics.com](http://www.crown-logistics.com).

**Interconex, Inc.** has announced two appointments.

**Marie Cowie**, a 13-year industry veteran, is now general manager of the Los Angeles office. Cowie joined Interconex in 1993 and relocated in 2001 to California, where she has been operations manager. Over the past 6 months, she also served as acting general manager before receiving the permanent appointment in that role.

In Chicago, **Alex Talbot** was promoted to vice president, Central Region. With over 15 years of industry experience, Talbot formerly worked at United, Cendant and Graebel. He joined Interconex in 2004 as general manager at the Chicago office.

**Patrick O'Hara** has joined **Global International Portugal**. O'Hara is a well-known player in the international moving market, having recently moved from Metropolitan in Brazil to Lisbon, where he has assumed the position of Global International's country manager for Portugal.

**Arpin International Group** has hired **Blake Morris** as its new Western Regional sales manager.

Morris previously was the vice president of sales at Interdean. Interconex, responsible for global sales initiatives and special projects. He will be responsible for developing new business opportunities in the Western Region while collaborating with other company managers on multiple projects.

Morris joined the relocation industry in 1995 with a focus in international household goods. In addition to his professional experience, Morris has served on international planning committees for the Society of Human Resource Management (SHRM) and the Employee Relocation Conference (ERC). He also was president of The Western International Personnel Association (WIPA).

**Arpin International Group**, the Rhode Island-based international household goods forwarder, has promoted **John Barrett** to assistant operations manager in the GSA Division.

Barrett now responds to relocation coordinator inquiries, handles several of the division's day-to-day operational functions and provides support during trade conferences held throughout North America. The GSA Division provides relocation and household goods forwarding services to many non-military federal and state government agencies.

Barrett previously held was senior GSA coordinator and has been with Arpin International Group for 5 years.

Website: [www.arpinintl.com](http://www.arpinintl.com)



**Move One** has announced several appointments.

Move One veteran and Quebec native **Robin Tremblay** has taken over the countrywide management of Move One China. Tremblay previously worked with the company in Kabul.

Due to Move One's continuous growth in the region, originally from Toronto, **Sarah Tatrallyay** has moved from a previous posting as branch manager at Move One Beijing, to manage Southern Chinese operations from the Move One offices in Shanghai. Tatrallyay spent some years at Move One's Uzbek offices in Tashkent before relocating to China.

Unprecedented expansion at Move One has led to staff advancements in recent months. Among them three newly appointed country managers, **Attila Pápai**, **Tony Esteves**, and **Laszlo Tap**.

Taking over the reins as country manager at Move One in the Czech Republic is **Attila Pápai**, who previously worked at Move One's headquarters office in a business development capacity. Pápai, whose responsibilities in the Czech capital include team building, quality control, business development and customer care, is himself going through the relocation experience, having just moved to Prague from his native Hungary.

## **CMSA Names New President**

The **California Moving and Storage Association (CMSA)** has named **Steve Weitekamp** President, effective March 1, 2006. CMSA is a not for profit trade association representing some 500 licensed California moving companies operating within the state. Weitekamp replaces Doug Hill, who is retiring effective May 1, 2006.

Weitekamp is a 26-year veteran of the moving industry. He began his career working as a helper mover at Lambert's Van and Storage in Los Angeles while attending California State Northridge. He worked his way up to driver and after developing moving skills, he advanced to job foreman. He personally moved President Ronald Reagan, Bob Hope, Julie Andrews and Blake Edwards. Weitekamp has traveled from Hawaii to New York City to oversee unique moving installations. After graduating from California State Northridge, he moved to the office and has handled almost all aspects of Lambert's operation.

Weitekamp has been active in CMSA since 1985. He has served at both the chapter and state level of CMSA since 1988. He was elected to CMSA's Board of Directors in 1991 and was Chairman of the Board for the 2001-2002 year.

In announcing the appointment, CMSA Chairman Jill Longo said, "Our search committee interviewed many qualified candidates and brought two candidates to the Board for their consideration. Steve brings industry and CMSA knowledge, and a demeanor that is necessary for this important leadership position."

Weitekamp and current CMSA President Doug Hill will work side by side through March and April to bring about an effective transition. "I am honored and excited to be afforded this opportunity and look forward to working with Doug over the next several weeks. I know what Doug has meant to CMSA and I pledge all my energy and passion to continue to grow CMSA's effectiveness to our members," said Weitekamp.

HHGFAA President Terry Head acknowledged the contributions and dedication to the industry of outgoing **CMSA President Doug Hill**. Head noted, "HHGFAA has valued its past relationship with CMSA and Doug and pledges its support for the new incoming CMSA President. HHGFAA and CMSA have jointly cooperated on a variety of issues facing the industry and both entities participate in the National Council of Moving Associations (NCMA)."



## EXPANSIONS



**Pictured, from left: Tony Daley, director; Chris Daley, managing director; and Tony Tickner, managing director, EUROUSA Shipping Limited.**

Manchester-based **JCD Moving Group** has become the first member of **EUROUSA Shipping's** new "Euro Alliance Programme." The exclusive agreement was signed on Jan. 10 by **Christopher Daley** from JCD and EuroUSA Managing Director **Tony Tickner**.

Daley commented, "We have been working with EUROUSA for a number of years now, but with the development of the Euro Alliance Program we saw an opportunity to become a more integral part of the Euro Group. Given the international experience of EUROUSA we can only benefit from this agreement"

In addition to their role as a sales and operation centre, The JCD Group, based in Manchester, UK, will become a central receiving terminal for EUROUSA trade business in northwest England. JCD has been involved in removals and storage since 1948 and is a member of the British Association of Removers and FEDEMAC.

Tickner noted, "We are committed to developing our overseas and European business and our alliance with JCD is the first step on the road to developing a UK and European Alliance Program. Our goal is to open in two more locations in 2006, with expansion into mainland Europe, late 2006 or early 2007."

EUROUSA Shipping is one of the leading trade movers in the United Kingdom. Its sister company, EUROUSA Inc., is based in Baltimore, Md., and operates a trade shipping service from the United States to all worldwide destinations.

◆  
**Crown Relocations** has opened a new household goods and settling-in services office strategically located in the downtown district of the Sharq area of Kuwait City.

"Our decision to go back into Kuwait was based upon customer desire to have Crown assisting them at both ends of a relocation," said Richard Robertson, managing director, Middle East. "Kuwait's opening is the second in the last two years in the Middle East and a testament to the growing markets within."

Crown Relocations currently has Middle East offices in Abu Dhabi and Dubai of the United Arab Emirates; Cairo, Egypt; Doha, Qatar; Istanbul, Turkey; Kuwait City, Kuwait; and Manama, Bahrain.

The Crown warehouse is located in the Suraibiya Industrial area, west of Kuwait City. Warehouse space is rented in the Public Warehousing Company (PWC) complex. The PWC is the "stand-alone" market leader in logistics and warehousing in Kuwait. PWC is a very large complex with security, and all warehouses have fire and safety equipment including sprinklers.

"Kuwait's robust economy continues to attract foreign investment, bringing with it the expertise of the expatriate transferee," said Keith Boyd, branch manager, Crown Relocations WLL, Kuwait. "With Crown staff on the ground at both ends of their move, we can ensure that our customers will receive the levels of services they have grown to expect from Crown."



**Interdean** has expanded its UK capabilities by opening a new warehouse in Aberdeen, Scotland, due to the demand from their growing customer base in the oil and gas sector. The facility was slated to open in March.

**Roger Muir** will oversee the operation, which is situated on the south side of the city. The facility's logistics manager is William Davie. With a capacity of 6,750 square feet, the warehouse in Aberdeen offers a similar range of services as the company's operation in London.

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## Nomad Express Changes Its Name

**Nomad Express**, the "Silk Road Movers"—the relocation specialists in the Caucasus and Central Asia—will change its name. Having become a fully-owned subsidiary of the **Gosselin Group** in 2002, Nomad will now be known as **Gosselin Caucasus and Central Asia-GCCA**.

The Gosselin Group is a multinational organization with 47 branch offices in 32 countries from the western border of China to Belgium. With more than 600 employees operating over a million square feet of warehouse space, Gosselin Caucasus and Central Asia-GCCA is now part of a truly competitive logistical service organization.

The companies provide ocean freight (both US and non-US-flag services), air freight forwarding, export packing, moving and storage, distribution, trucking, marine terminal operations, and general freight forwarding and serve commercial, diplomatic, and military communities.

Website: [www.gcca.gosselinwvm.com](http://www.gcca.gosselinwvm.com)





**From the Central Andes of Péru, a female figurine offering made of silver, textile, and feathers.** (Photo by Hugues Dubois, Brussels)



**This sandstone stele, “Lady Alligator foot, nourishing mother of Pomoy,” is from Chiapas, Mexico.** (Photo: Roger Asselberghs, Brussels)



**Moving the pieces into the Geneva museum.**

## Harsch: Bringing Pre-Columbian Art to Switzerland

A must-see exhibition of a prestigious pre-Columbian art brings together unbelievable masterpieces of exceptional quality originating from throughout the pre-Hispanic Americans. Some 300 pieces in the collection are displayed over about 600 square meters of exhibition space at the Museum of Art & History, Geneva. The works represent great craftsmanship, and a variety of techniques, styles and inspirational sources of the great Olmec, Mayan, Aztec, Mochican, Incan and Peruvian civilizations. These works range from the most delicate to the robust, from the miniature to the monumental, and are in stone, wood, earthenware, textile, feather and gold and silver plate.

Amazingly, throughout the last 1,000 to 5,000 years, these pieces have been preserved in a near-perfect state as they survived the centuries, transportation across the Americas, and most recently, as they made their way over the European continent. Given their delicacy and value, transporting them safely from Belgium to Switzerland requires great expertise. Roberto Papis, head of transport at the Museum of Art & History, Geneva noted, “Given the archaeological importance of each piece in the collection each had to be studied in detail and an individually tailor-made packing and transportation proposition prepared.”

Among the pieces is a silver female figurine offering (circa 1450–1533 AD), a favorite of Geneviève Le Fort, curator of this exhibition, which was found in the Andes, a remote mountainous area where modern archaeologists discovered Inca tombs containing the mummified bodies of young children who had been offered as *capac huacha* ritual sacrifices. “For this particular piece,” said Gérard Kohler, fine art manager at **Harsch Transports** (who, with his Belgium partner, handled the transportation of the Collection to Geneva), “we prepared special cushions and wrappings and a small structure for protection so as to ensure that the feathers kept their fine delicate form and that the ancient fabric of the colorful blanket was not damaged in any way, particularly from humidity or light.”

At the opposite end of the scale, the large Maya stele (circa 600–800 AD), an ornately decorated, carved relief limestone panel

weighing some 500 kg and being 170 cm high and 82 cm wide, posed other problems. The stele depicts a noblewoman known as “ix ok ayiin” (Lady Alligator foot) from the area known as Pomoy. The stele does not give the impression of ever having been moved. But what is basically a priceless slab of hand-carved limestone (itself a very delicate substance) required very special treatment. “Given the weight and height of this piece,” said Papis, “Harsch had to organize the construction of a very special customized support to keep it rigid during transportation and at the same time create a packing that would ensure that the delicately carved relief was not in any way damaged.”

Le Fort commented, “The fabrics in particular require constantly controlled humidity throughout the exhibition and their transportation in order to ensure their perfect preservation. The pieces in this collection are archaeological pieces of great rarity so you can’t just ask anyone to move them—you have to use the specialists to pack, transport and unpack.”

Papis added, “I think visitors to the exhibition will find the results of all our work most satisfying, particularly when you consider the complex logistics and that several of these ancient pieces incorporate feathers, fur or the skins of what are now endangered species. Consequently special care, clearance and documentation were necessary before we could bring the Collection into Switzerland. Added to this, each of the pieces required individual planning and preparation for transport—the packing alone of the pieces took a week to complete! The final result is absolutely stunning. An enormous variety of truly beautiful objects transported and presented in an exceptional way.”

Perhaps it’s this strong sense of responsibility and perfectionism that is the reason why the owners of the Collection chose the Geneva Museum of Art & History as the venue where, for the first time ever, their exceptional Collection would be exhibited in its entirety, and why the men at Harsch Transports feel privileged to have been chosen to handle and transport such a precious cargo across the borders of Europe, bring it safely to Switzerland and unpack it for visitors to enjoy the beauty and quality of workmanship of the lost cultures of the ancient Americas.

This exhibition, at the Museum of Art & History, Geneva, runs through April 23, 2006.

## Doree Bonner Customers Benefit from Expatriate Healthcare

**Doree Bonner International's** reputation for customer care has always been noted and as such the group enjoys a good relationship with its valued clients. For years they have helped customers through the stress and emotion of not just moving, but uprooting completely and leaving one country to go to another. Thus, the company recently announced an offer exclusive to its customers: special discount on international health insurance with Expatriate Healthcare, a leading provider of healthcare insurance.

Not only do its customers benefit from a first rate removal and relocation service, but there is the added advantage of a health insurance that is provided by a company that also recognizes how important its customers are. Doree Bonner International Managing Director Geoff Watson noted, "We know that we are able to aid our customers to ensure that their move is as stress and problem-free as possible. However, we are all too aware of the other factors that need to be taken into account when emigrating, and the different challenges that you face. There a number of potential concerns and health matters should not be compromised."

Expatriate Healthcare has many years of experience working on and advancing a number of international healthcare products. A wealth of knowledge and understanding of the worldwide insurance arena has led to the development of healthcare plans that cater to all needs and budgets. All policies are backed by AXA Global and AXA Assistance, and Expatriate Healthcare has a worldwide network of service and support. "Moving abroad can be traumatic enough, without adding to it questions and concerns about how you and your family would be looked after in the event of an accident or illness," noted Lee Gerry, healthcare manager at Expatriate Healthcare."

### HHGFAA Executive Committee Meets in Florida



The HHGFAA Executive Committee recently held a board meeting in Hollywood, Fla., at the Westin Diplomat Resort and Spa. In addition to discussing current issues and future programs, the Executive Committee explored various venues in southern Florida as possible future sites for an Annual Meeting. (Photo by Diane Groger.)

## Albert Moving Unveils New Value Statement

**Albert Moving** in Wichita Falls, Texas, recently held a half-day meeting with break-out sessions to introduce employees to the updated Company Values statement. Placed graphically, the values create the word “GIVERS”:

Pursue personal **G**rowth

Live with **I**ntegrity

Add **V**alue to others

Strive for **E**xcellence

Enhance **R**elationships as we drive for results

Achieve **S**ignificance.

All employees were presented with a black “GIVERS” t-shirt to wear on the day of the meeting.

## Crown Relocations Launches QUEST Quality Website

**Crown Relocations** has launched its new QUEST Quality Website. This is another feature added to Crown’s portfolio of service tools offered to clients.

Crown understands that clients’ needs change and evolve. The QUEST program is designed to be flexible in order to keep up with these changes. The QUEST website will offer insight to Crown’s total commitment to quality and the QUEST program, which maintains and supports its efforts to provide 100% client satisfaction. These service tools demonstrate Crown’s commitment to quality by formalizing the program and explaining Crown’s philosophy in a clear and concise manner. If clients have a question regarding Crown’s quality program, they can ask a Crown employee or look to the website for answers.

Website: [www.crownrelo.co](http://www.crownrelo.co)

## Stonepath, Wakestone Announce Joint Venture

Seattle-based **Stonepath Group**, the global logistics services organization, recently announced continued strengthening of its global network in key logistics markets, agreeing to enter into a joint venture with Czech Republic-based transportation firm **Wakestone Logistics**. The joint venture will market a full range of transportation services to multinational companies, increasingly utilizing Eastern Europe as an integral part of their global distribution strategies.

The joint venture will be based in the Czech Republic and structured to serve the key tradelanes of Asia, North America, and Europe and will provide a full range of flexible tailored transportation and distribution solutions to the automotive, technology, retail, and consumer sectors.

Stonepath Group Chairman Dennis L. Pelino noted, “With this joint venture in place, Stonepath will have access to resources, capabilities, and depth to take advantage of significant opportunities in this highly strategic region. The collaboration considerably increases the volume we are handling in the region.

“We are joining up with a deeply experienced management team, who have established and run very successful Eastern European logistics operations for global third-party logistics [3PL] providers in the past.”

Wakestone Logistics Managing Director Jara Schoen said, “We’re very pleased to join forces with Stonepath in the Czech Republic and we expect that our collaboration has the potential to add 3,000 TEUs to Stonepath Group’s international network annually. Corporations continue to expand their global reach for sourcing, manufacturing, and distributing their products, and innovative 3PLs like Stonepath are wise to position themselves to take advantage of these opportunities. We look forward to working with Stonepath and to becoming a leading player in the region.”

Wakestone ([www.wakestone.cz](http://www.wakestone.cz)), based in Prague with two affiliates in the Czech Republic, provides a range of transportation and logistics services to major international and local companies, including air and ocean freight forwarding, surface, multi-modal transport, and contract logistics and projects.

## Art through a War Zone

When the US Ambassador to Iraq, Dr. Zalmay Khalilzad, needs art and furniture delivered to the Embassy in Baghdad, clearly he requires a highly professional shipping firm that can negotiate the security risks involved in the current Iraqi situation and deliver the highly valuable cargo promptly and intact. So, whom is he going to call?

**Move One** regularly transports household goods to the US Embassy and its staff residencies in Iraq. With operations at both Baghdad International Airport (BIAP) and in the International Zone (IZ) Move One can offer safe and efficient door-to-door HHG deliveries for the expatriate community, as well as diplomatic consignments for the US Embassy. In early February, Move One also successfully delivered the Ambassador's furniture to his residence in Baghdad and completed a high-value fine art shipment to the Embassy.

Considering the status quo in Iraq, such responsibilities are not without their challenges. Apart from the obvious security risks, according to Robb Hass, Move One's Regional Manager in the Middle East, even obtaining the proper packing materials such as shrink-wrap, bubble wrap and banding material, is taxing. Locals have also had to undergo extensive special training in HHG packing, although Hass has always found the Iraqi staff enthusiastic and willing to learn.

"When I initially arrived we had 3 locals working for us. We now have over 30 Iraqis and 10 expats in Iraq," said Hass of Move One's ongoing expansion in the region. Nonetheless, operations in Iraq are certainly fraught with danger. "The security situation takes a constant toll on you mentally and physically. Iraq is an extremely violent country currently undergoing tumultuous changes throughout. There are times when you hear lots of gunfire and mortars landing in the nearby area and you still need to concentrate and get your work done in a professional manner. Before, I used to drive around the city, eat dinner at our local employees' houses, go out to bars and restaurants in the city. Since the end of 2004, all of this changed because the violence intensified and it is now too dangerous for expats to leave the confines of the IZ or BIAP."

Still, Hass says he enjoys Iraq and meeting the locals and talking with them about Iraq before the war and what the future holds for the country. His biggest concern is for his colleagues and for the worry this posting costs his family back home. "We have lost some excellent people due to the violence," he said, "and that is something that will always stay with you."



## Trans-Link Employees Hold Two-Day Retreat



Just before Christmas, Trans-Link Relocation had held a two-day retreat for its staff at an elegant resort in southern Thailand. The theme was "Sharpening the Teamwork." The program included a team building workshop and developing a strategic plan for 2006.



Above: One of Global's new fleet of trucks. At right: Managing Director Andrew Rosemeyer.



## Global International on the Way Up!

**Global International** continues to grow both in Spain and Portugal. The Spain branch has grown in revenue by 45% and Portugal a staggering 190%.

As part of its investment in quality, Global recently purchased Moveware from Australia, considered one of the world's top software packages, that will be used in both offices to enable the company to control its operations with one system. In addition, says Managing Director Andrew Rosemeyer, the software will contribute to staff morale and job satisfaction by providing employees with the industry tools they need to do their jobs more efficiently.

Moveware went live in Madrid on Jan. 2 and was expected to be implemented in Lisbon in March.

Currently the company is going through the FIDI FAIM audit in order to provide staff with additional training to allow it to provide optimum services to its growing list of agents and corporate accounts worldwide.

Finally, in the last 6 months Global has changed its fleet of trucks in both Spain and Portugal to raise its corporate profile.

Website: [www.globalinternational.com](http://www.globalinternational.com)



# **Pest-free Wood Packaging Material by Trans-Link Relocation, Thailand**

The International Plant Protection Convention (IPPC) is an international treaty to secure action to prevent the spread and introduction of pests of plants and plants products, and to promote appropriate measures for their control. It is governed by the interim Commission on Phytosanitary Measures (ICPM), which has adopted International Standards for Phytosanitary Measures Publication no. 15 or better known as ISPM 15.

The IPPC is a part of United Nations Food and Agriculture Organization's global program of policy and technical assistance in plant quarantine.

**Trans-Link Global Relocation Specialist** is known throughout the industry as a driving force in the establishment of approved crating procedures. Trans-Link's crates are marked with the official IPPC "pests-free" stamp certifying that they are built to the current ISPM 15 regulation.

## **IN MEMORIAM**

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### **David (Sam) Johnson**

Industry veteran David (Sam) Johnson passed away on Feb. 17, 2006.

Mr. Johnson began working in the family business at a very young age. In 1973, he became manager of Richmond Export. In 1975, he went to Hawaii, where he headed up the Honolulu operations for Richmond Transfer & Storage. He returned to California and worked with his father, Ralph, his brothers Steve and Brad, and sister Tina at American Vanpac. In 1985, he left Vanpac and spent the next 10 years at American Rock & Asphalt. In 1986, he and his brother Brad took on Apollo Van Lines. Then in 1995, Sam and Brad started up California Rock & Asphalt and ran it as well as all the Apollo Companies.

## **IN MEMORIAM**

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### **Jack Ford**

Jack Ford, formerly president of the international division of Global Van Lines and most recently Ford International Forwarding, Inc., died suddenly at his home in Tarrytown, N.Y., on Jan. 31. Mr. Ford, whose wife passed away last summer, was 77 years old.

## HONORS AND AWARDS

**Bobby Albert**, president of **Albert Moving** in Wichita Falls, Texas, was recently honored with the 2005 Member of the Year Award from The CEO Institute of Dallas (C12 Group). The awards ceremony and banquet was held in Dallas, Texas.

The primary objective of The CEO Institute and the C12 Groups is for Christian CEOs to develop world-class companies while bringing forth the Kingdom of God into the marketplace. Albert's C12 Group consists of companies ranging from \$8 million to \$100 million.

CEO Institute President Lane Kramer noted that Albert "attends every one of his C12 Group meetings, despite the fact that he lives two hours away; this person does what he says he is going to do; he goes out of his way to help other members; he is a lifetime learner, he really listens to the counsel of other people; and he understands that he will be held accountable by the Lord for what happens in and to the Company under his watch."

Accepting the award, Albert said, "Being a part of the C12 Group has given me the opportunity to meet and interact with a whole new group of Christian business owners and presidents. It is exciting to know that there are other businesses, like Albert Moving, who place an emphasis on doing God's work in the workplace."



**Arpin Van Lines** received the 2005 Weichert Move Network Partner of the Year award, presented at Weichert's headquarters in Morris Plains, N.J., during its annual network partner meeting.

"Our company is extremely proud to receive this award," said David Arpin, President of Arpin Van Lines. "We could not have done this without our dedicated staff, drivers, and agents who make such outstanding performance benchmarks possible."

Arpin Van Lines was selected for providing best overall service based upon numerous performance parameters. These criteria include customer satisfaction, self pack and haul, claims results, and on-time pickup and delivery.

### Trans-Link Wins Major Storage Contract



ISETAN, a major department store chain headquartered in Tokyo and with branches in China, Malaysia, Singapore, Taiwan, and Thailand, has signed a 1-year contract with **Trans-Link Global Relocation Specialist** to provide storage services for their products, office documents, and furniture.

## HHGFAA Member Profiled in Va. Newspaper

The March 9 issue of the **Norfolk Daily News** featured a profile of **Clayton Andrews**, president of **Andrews Van Lines**.

Andrews, now 85, served in World War II and left the Army Air Corps as a major. He returned to Virginia to the family business founded by his father 26 years earlier, in 1920.

When Andrews took over the management of the company in 1954, it had nine trucks that operated in 12 states. Today, it hauls freight in all 50 states and in 21 countries and has agents around the world.

Over the years, Andrews has garnered a number of awards from the trucking industry, including the Pioneer Movers Hall of Fame Award and the Carroll Genovese Award, which recognizes leadership and service to the moving and storage industry.

The community also named him Norfolk's Outstanding citizen in 1999 and honored him with a Norfolk Oscar in 2003. The awards reflect his involvement in Norfolk's civic life, including his 14 years as chairman of the Norfolk Airport Authority, and his service on the Norfolk Area Chamber of Commerce and the former Lutheran Community Hospital boards of directors. His support of Lutheran High Northeast in Norfolk prompted the school's leaders to name its activity center for him and his late wife, Vivian.

About the time many people his age are retiring, Andrews took on a new task. In 1992, he was asked by the pastor of Grace Lutheran Church in Norfolk to find a way to send food, clothing, and other donated supplies to Latvia and other countries in Eastern Europe. Many of the countries had been under the rule of the Soviet Union and had not recovered from the devastation of World War II.

The Orphan Grain Train was born. The Orphan Grain Train is a volunteer network of Christians who share personal and material resources with needy people at home and abroad. The volunteers gather donations of clothing, medical supplies, food, Christian literature and other items in response to the real needs of people worldwide. Since 1992, the organization has sent more than 20 million pounds of supplies to needy people in Eastern Europe and elsewhere in the world and in America.

Today, Andrews is the (unpaid) vice president of the organization that last year provided \$10 million in humanitarian aid to people around the world. He expects the 2006 total to reach \$12 million. In 2004 alone, 65 shipments were sent overseas and 51 shipments were sent to sites in America; 80 shipments have been sent to the areas damaged by Hurricane Katrina. The shipments originate from Norfolk or one of the other 18 satellite offices of the Grain Train located throughout the United States. Because nearly all of the Grain Train's staff are unpaid volunteers, 96 cents out of every dollar donated to the organization is spent for aid.

Shipments are sent to partner organizations that distribute the items.

There are times, Andrews said, she he wonders if he didn't spend 50 years learning the transportation business so he would be in the position to answer the call when his pastor came home from Latvia and asked, "How can we help these people?"

The work has become Andrews's mission. He still manages Andrews Van Lines and often stops there in the morning before going to the Orphan Grain Train, where he oversees the work from a cramped office in the organization's headquarters. This summer, the staff will move to its new international headquarters in Norfolk, where the Orphan Grain Train will have room to grow. And Andrews plans to be there.

## MILESTONES

**O'Neil Software**, based in Irving, Calif., marks its 25th anniversary this year.

# Gebr. Hertling GmbH & Co. KG: 140 Years of Tradition on Wheels

In 1865 in Charlottenburg, Germany, once an independent city, nowadays a borough of Berlin, Emil Hertling founded Berlin's oldest removal and furniture transport company. In 1898, the firm moved to the property in Sophie-Charlotten-Strasse 15, where it is still located today. In 1871, following the coronation of Emperor Wilhelm I, Berlin became the capital city of the German Empire.

The company was honoured in 1910 by being designated as the Court removalist of his Majesty the Emperor and King of Prussia. Hertling was the official freight delivery company of the railway and had 80 horses, freight wagons and padded furniture vans. From 1901 the company also worked on the excavations for the Berlin Subway. Up to 200 horse-drawn carts were made available on a daily basis to remove the excavated earth from the construction sites.

Upon the outbreak of the First World War in 1914, the company owned more than 150 horses. Because of a lack of feed during the war period, 50 horses had to be slaughtered. Following the end of this difficult time, as early as 1919, the appointment of Hertling as the official haulage contractor of the German railways (Deutsche Reichsbahn) was made. The inflation of 1923 and the world financial crisis of 1929 followed. Only after these events passed could advances be made. Alongside horses, trucks were introduced and by 1939 the company in Charlottenburg used 45 trucks. Some 60 furniture wagons were despatched by rail to every European country.

By this stage a new disaster loomed. The Second World War, with air-raids on the company's headquarters in Charlottenburg, led to the complete destruction of buildings and all the plant the company owned. Only in



**The family of the founder Emil Hertling (1888) with the two sons who later succeeded him.**

1946 could new trucks be purchased and in 1955 the reconstruction of buildings commenced. On the occasion of the 100-year anniversary in 1965, a powerful enterprise was again active in the centre of Charlottenburg.

Today, Hertling owns its own premises in Berlin, Frankfurt/Main, Hamburg and Eberswalde. The highly qualified employees, who are trained to the highest standards, are engaged in both domestic and international removals operations. World-wide cooperation ensures quality, efficiency and competitive pricing. Some 170 employees with 50 vehicles of different kinds work in the Hertling group. The headquarter remains in Berlin. Some 40,000 square meters of owned property and about 15,000 square metres of storage space are available for the use of the business. Hertling is judged a well-respected company, not only in Berlin but worldwide within the removals industry due to its considerable experience in conducting private and commercial removals and for its broad-ranging scope of services.

On Oct. 7, 2005, following a press con-

ference, to celebrate the 140th anniversary of Hertling, 150 guests were invited to an official reception at a hotel in the heart of Berlin. With great interest, the representatives of various embassies, associations, clients and suppliers followed the speeches of the many speakers. The guest of honor at the reception, the Governing Mayor of Berlin, Klaus Wowereit, emphasized the advantages of a family business, such as Hertling, given that the long tradition leads to the desire of continuing with the renowned high-quality approach and also the wish to invest for the future. Afterward, the guests celebrated at a standing buffet where they had the opportunity to congratulate the family owners of Hertling together with its leading employees. On Oct. 8 Hertling continued the celebration with a party for their staff and spouses that consisted of a dinner with all employees in Berlin and representatives from the Frankfurt-am-Main, Hamburg and Eberswalde branches. The establishment of Hertling and its existence for 140 years was celebrated with great enthusiasm until the early hours of the morning.



**A Hertling truck at the Brandenburg Gate.**



**New beginnings 1947: a truck powered by wood gas tows an iron-tired horse-drawn furniture van.**



**The Hertling family with guests of honor (left to right): Mr. Erik Cock-Johnsen, the mayor of Berlin-Charlottenburg, Mrs. Thiemen, the Governing Mayor of Berlin Mr. K. Wowereit, Mrs. Irene Cock-Johnsen (born Hertling), Dr. Helmut Hertling, Mr. Carl Cock-Johnsen.**



**Georgia Angell**  
President  
Dell Forwarding  
HHGFAA Chairman

On behalf of the Household Goods Forwarders Association of America, Inc., I want to extend a warm welcome to those who are new to our organization.

## NEW ASSOCIATE MEMBERS

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### Baltrans International Cargo Ltd.

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P.O.C: Mr. Allan Chan  
Sponsors: Helu-Trans (S) Pte Ltd, Singapore  
Baltrans International Moving Ltd, Hong Kong

### Beirut International Movers S.A.R.L.

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### BW Worldwide Movers (S) Pte Ltd

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Sponsors: AGS Paris, France  
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E-mail: [comegohamburg@aol.com](mailto:comegohamburg@aol.com)  
P.O.C: Mr. Michael W. Neumann  
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## Proposed Health Care Legislation Gives Democrats Headaches

Legislation designed to make it easier and cheaper for small businesses to provide health insurance for their employees was approved in mid-March on a party line 11-9 vote by the Senate Health, Education, Labor and Pensions Committee. Republicans, led by Health, Education, Labor and Pensions Chairman Michael B. Enzi (R-WY), said the bill would help small businesses by allowing them to pool together to buy health insurance. "Let us put the power in the hands of small employers and family-owned businesses," Enzi said, "rather than in the hands of insurance companies or the government. Let the consumers band together to drive the change that we want to see happen." But Democrats said the bill also allows businesses to buy health insurance that skirts or ignores state regulations designed to provide minimum benefits and would provide, at best, "skippy" coverage.

HELP ranking member Edward Kennedy (D-MA) predicted the bill would result in "adverse selection," meaning that sicker and older workers would not get insurance. A Democratic alternative was rejected during the committee's first session on legislation in March. Enzi said he would try to bring the legislation to the Senate floor as soon as possible, but did not set a specific timetable. Kennedy said the legislation would open up the entirety of the national healthcare debate, and indicated Democrats would want to discuss drug reimportation issues and mental health parity in insurance, among other things. "This affects everything about health care," Kennedy told reporters after the session. "Why not have a full debate on everything?" Kennedy would not say whether he thought such a full debate would impede progress on the small business health insurance bill. Before approving the bill, the committee rejected 17 Democratic amendments on nearly straight party-line votes.

Only Sen. Mike DeWine (R-OH) broke with his party occasionally to support some Democratic amendments, but his vote never resulted in the adoption of an amendment. The bill, drafted by Enzi after negotiations with representatives of small business, insurance companies and other interested parties, has the support of small business groups. But some insurance companies and state agencies are opposed. Similar legislation is pending in the House.

## Knocking at DP World's Doors

DP World said recently it would transfer to a US entity the six US port terminals it inherited in a controversial \$6.85 billion deal to buy London's Peninsular & Oriental Steam Navigation. But it didn't provide any more details as to what the entity would look like and who would run it.

The biggest US private-equity firms, which have each raised funds of \$10 billion and more in the last few months and are eager to put that money to work, seem likely enough suspects as buyers, even as a consortium.

But sources said the port terminals are not considered a plum catch and might not attract keen interest. DP World, parent of Dubai Ports, paid a stunning 29 times earnings for P&O when it announced the deal in October.

Analysts said the transaction appeared to be driven more by DP World's desire to gain P&O's ports in China than anything else. The price is more than twice what DP World paid to buy ports in its previous deal.

Bankers say the US terminal operations, representing under 10%

## By Jim Wise PACE-CAPSTONE



of the purchase price, are thought to throw off just \$30 million in cash annually. "There's no natural fit" to a buyer, one source said.

Still, banks and private-equity firms have been looking to expand infrastructure-project investments as a way to diversify. Australia's Macquarie Bank has been doing it for 16 years, with \$22 billion of equity invested in bridges and tunnels around the globe. In the United States, its holdings include the Detroit-Windsor Tunnel, the Indiana Toll Road and the South Bay Expressway. A spokesman was unavailable for comment.

Blackstone Group, Kohlberg Kravis & Roberts and Carlyle Group are three of the biggest private-equity firms that could line up as buyers.

A Carlyle spokesman said the firm has had investments in the transportation sector in the past, and left open the door for future deals. Carlyle is not involved in DP World but he added, "We have an interest in this area."

Then there are banks that have worked with DP World and P&O in the recent past. Citigroup was adviser to P&O in the sale, for example, and Deutsche Bank advised DP World. Credit Suisse advised DP World on the sale of real estate assets.

Last month, DP World picked Barclays Capital and Deutsche Bank to be in charge of a \$6.5 billion loan package to help finance the deal, including a 5-year \$6.3 billion term loan and a \$200 million revolving-credit loan. In January, Barclays worked with Dubai Islamic Bank on a related \$3.5 billion bond issue (the largest Islamic bond issue to date, no less).

It was unclear exactly what DP World has in mind for the "entity" to which it will transfer the six port operations--or whether the entity might be simply a US subsidiary of DP World itself.

Nor did DP World specify the timetable it had set for completion of the transaction. All it said about it was contained in a short statement released today.

The statement, from H. Edward Bilkey, DP World's chief operating officer, said in part, "This decision is based on an understanding that DP World will have time to effect the transfer in an orderly fashion and that DP World will not suffer economic loss."

## No Changes Seen for P&O's Florida Ports

The two Florida ports affected by DP World's takeover of P&O expect little fundamental change in operations once the Dubai company sells off P&O's US terminals.

Last December a P&O executive and senior manager of the Port of Miami Terminal Operating Co. (POMTOC) noted that DP World had no plans to change the terminal's US organization or leadership. He said he expected no impact from something happening up the corporate stream. The Port of Tampa executive director said on March 13 that the US arm of P&O expects to remain as an operating business entity with new ownership, perhaps with the backing of venture capitalists or with funding from other maritime companies. The Tampa Port Executive said they expected to be working with the same people at P&O with whom we have been negotiating and we expect them to be able to fulfill their commitments once DP World restructures the U.S. P&O division. In January the authority that runs the Port of Tampa terminated a container terminal management agreement with SSA Marine and agreed to retain P&O in its place. Before the board voted 6-1 in favor of replacing SSA Marine, P&O said it would keep the same union laborers in Tampa and bring in managers from its North American operation.

British-based P&O agreed to pay \$5 million for three used gantry cranes purchased by the port last year and to eventually replace them. P&O also agreed to the 40-year lease in exchange for picking up the cost of operating the 24-acre terminal. Though they approved the lease, the board left an out by allowing a second vote after the DP World transaction was completed. That vote was scheduled for March 10, but was postponed until April 11.

The POMTOC representative said he expected by then to see the matter resolved with the same basic arrangement and the same American employees of P&O involved in the new company.

POMTOC rep further noted that he has been in regular contact with P&O executives in New Jersey and is convinced that they will remain at the helm of the successor company and that they will have the resources to meet their earlier commitments.

"SSA is operating the terminal now and will be until the new P&O company is in place," the POMTOC representative said. "SSA is an excellent terminal operator but we needed a company that would be more of a partner with us and participate in the costs of operating the terminal. That is what P&O offered then and that is what they continue to offer."

## DOT Begins to Shape Freight Policy

The US Department of Transportation has announced the outline of a national freight transportation policy aimed at increasing freight capacity, reducing congestion and regulatory barriers, and protecting the environment.

This is the first time that DOT has articulated a policy strictly for freight transportation. Its overall goal will be to ensure freight transportation that is efficient, reliable, safe, and secure. The policy framework also recognizes that the national freight system is a diverse network of interconnected companies and institutions.

The policy identifies seven objectives, to be broken down into discrete tasks for public officials or private businesses to carry out.

The objectives are as follows:

- Improve the operations of the existing freight transportation system.
- Add physical capacity where it makes the most economic sense to do so.
- Use pricing strategies to better align freight system costs.
- Reduce regulatory and institutional barriers to improve transportation performance.
- Identify and address emergency transportation needs.
- Maximize the safety and security of the system.
- Mitigate and better manage freight transportation's effects on the environment, health and communities.

## Lobby Reform

The Republican House leadership announced that draft legislation on lobby reform and accountability is circulating among representatives today. Rules Committee Chairman David Drier (R-CA) was tasked by House Speaker Dennis Hastert (R-IL) to craft the bill, which Drier says provides "real reform and real changes." Meanwhile House Democrats are already denouncing the bill, including Minority Leader Nancy Pelosi (D-CA), saying the reform package is "all talk and no action."

Some key provisions that will likely raise some of contention among members of Congress are imposing restrictions on independent 527 political groups by forcing them to comply with Federal Election Commission limits; and suspending all privately funded travel by members of Congress throughout the remainder of the current congressional session. This final provision will provide the ethics committee with time to establish a pre-approval system for such trips in future years.

Meanwhile the Senate lobbying reform bill hit a roadblock on its way to the floor in lieu of the Dubai ports controversy. The bill was not expected to be put back on the schedule until some time after the week-long St. Patrick's Day recess that began Monday, March 20.

## Health Care

The Senate Health, Education, Labor and Pensions Committee passed on a party-line vote a bill authored by Chairman Mike Enzi (R-WY) designed to help small businesses provide health insurance to their employees. Enzi has been working with small business interests and the insurance companies to resolve the differences between the two concerning the proposed authorization for associations to offer health plans to their members. Many small business organizations support Chairman Enzi's new proposal and the insurance companies have acknowledged that it is an improvement, but still has some problems. The Chairman hopes to bring the bill before the Senate for a vote as soon as possible.

## Ocean Carriers to Be Port Security Watchdogs for Coast Guard

Under a cooperative agreement announced recently between the merchant mariner sea service and the World Shipping Council (WSC), Cargo vessel captains and crews will help the US Coast Guard monitor security conditions in ports around the world. International vessel carriers will submit reports on how well ports are complying with the International Ship and Port Facility Security Code, which has been in force since July 2004. Carrier participation is voluntary and the reports will be confidential, the WSC said. The International Ship and Port Facility Code (ISPS) requires countries to develop and implement antiterrorism plans for port facilities. The Coast Guard visits ports around the world to make sure adequate security measures are in place. There are seven countries that do not meet ISPS requirements. Vessels that have called at ports in those countries are boarded at sea and may be subject to other restrictions, such as daylight-only transit or even denial of entry into US waters. The Coast Guard also oversees all port facilities in the United States to make sure they comply with facility security codes.

Members of the World Shipping Council, which represents carriers that serve the United States, will now be additional eyes and ears for the Coast Guard in foreign, as well as US ports.

“If we see really good practices, the idea is to share that as well,” WSC President Christopher Koch told Shippers’ NewsWire.

Koch first alluded to the port monitoring partnership on Feb. 28 during a Senate hearing about the security implications of the Dubai Ports World takeover of cargo operations in almost two dozen US ports.

## Renewed Patriot Act Hits US Exporters with Bigger Civil Penalties

The US Commerce Department’s Bureau of Industry and Security (BIS) now has the authority to issue civil penalties of \$50,000 per charge under President Bush’s reauthorized antiterrorism legislation.

Under the new Patriot Act, civil penalties may be severe because there could be multiple charges per violation. The legislation does not impact existing criminal fines for violations of the country’s export control regulations. However, it increases jail sentences from a maximum 10 years to 20 years for criminal violations, a BIS official confirmed.

The new civil and criminal penalties for export violations are still less than those proposed in a bill introduced by House International Relations Committee Chairman Henry Hyde, R-Ill, in mid-December. The so-called Export Administration Renewal Act (H.R. 4572) would raise civil penalties for export violations up to \$500,000 per violation. Criminal penalties would be 10 times the value of the export or up to \$5 million, whichever is greater.

## Outsourcing Payroll Does Not Outsource Responsibility

Many employers outsource some of their payroll and related tax duties to third party payroll service providers. Payroll service providers can help assure filing deadlines and deposit requirements are met and greatly streamline business operations.

Some of the services they provide are

- administering payroll and employment taxes on behalf of the employer, where the employer provides the funds initially to the third-party; and
- reporting, collecting, and depositing employment taxes with state and federal authorities.

Although there can be significant exposure risks associated with payroll process outsourcing, we recommend it to all of our clients and just ask that they implement a few simple checks and balances to safeguard their assets.

Employers who outsource some or all of their payroll responsibilities should consider the following:

- The employer is ultimately responsible for the deposit and payment of federal tax liabilities. Even though the third-party is making the deposits, the employer is the responsible party. If the third-party fails to make the federal tax payments, the IRS may assess penalties and interest on the employer’s account.
- The employer is liable for all taxes, penalties and interest due.
- The employer may also be held personally liable for certain unpaid federal taxes.
- If there are any issues with an account, the IRS will contact the employer.
- IRS correspondence is sent to the address of record so it is strongly suggested that the address not be changed to that of the payroll service provider as it may significantly limit the employer’s ability to be timely informed of tax matters involving their business.
- For the employer’s protection, the payroll service provider should be asked whether they have a fiduciary bond in place. This could protect the employer in the event of default.

Employers should ask the service provider to enroll in and use EFTPS (Electronic Federal Tax Payment System), so the employer can confirm payments made on their behalf. EFTPS maintains a business’s payment history for 16 months and can be viewed on-line after enrollment.

In addition, businesses should enroll in EFTPS to make any additional tax payments that their Third Party Provider is not making on their behalf. The IRS recommends employers verify EFTPS payments as part of their bank account reconciliation process. EFTPS is secure, accurate, easy to use and provides an immediate confirmation for each transaction.

The service is offered free of charge from the US Department of the Treasury, and enables employers to make and verify federal tax payments electronically 24 hours a day, 7 days a week through the Internet, or by phone.

For more information, employers can enroll online at [www.eftps.gov](http://www.eftps.gov), or call EFTPS Customer Service at 800-555-4477 for an enrollment form.

Remember, employers are ultimately responsible for the payment of income tax withheld and both the employer and employee portions of social security and Medicare taxes.

*SOURCE: Nat Bartholomew, CPA  
Partner, Langan Associates, P.C.*



# Panel's Overhaul of Earmark Practices Appears to Have an Effect

By Peter Cohn, *CongressDaily*

As Republican leaders mull a systemwide crackdown on earmarks, House Appropriations Chairman Jerry Lewis (R-CA) has been overhauling his panel's practices, and it appears to be having an impact.

Requests for seven of the 10 subcommittees are down a whopping 42.6% from this time last year, *National Journal* reports. According to committee tallies completed recently, fiscal 2007 earmark requests amounted to 15,470. That is a steep decline from last year's total of 26,954 for the seven subcommittees reporting: Agriculture, Energy and Water, Foreign Operations, Homeland Security, Interior-Environment, Labor-HHS and Transportation-Treasury.

A panel spokesman said overall fiscal 2006 earmarks were down \$2.8 billion from the previous year, and that fewer requests this year would build on that effort.

Mid March was the deadline for House Republicans to submit their earmark requests. Lewis' internal changes could blunt some criticism, however, including his instructions to subcommittee chairmen to sharply limit the number of requests.

The Defense, Science-State-Justice and Military Quality of Life panels have not yet tabulated their requests, which could alter the results. But the seven panels that have finished compiling the requests offer an indication of the appetite for earmarks compared to last year.

The biggest percentage reduction is in the bill with accounts that are traditionally loaded with earmarks. Requests for the Transportation-Treasury Appropriations Subcommittee, which also funds popular HUD economic and community development projects, were down 55.8%, to 2,383 from 5,393 in fiscal 2006.

With fewer requests, the bill this year probably will continue a trend of reduced spending on earmarks in the bill—down \$1.5 billion in fiscal 2006 from the previous year.

A spokesman for Taxpayers for Common Sense said the numbers show improvement but are still "well above historical averages" and do not get to the root of the problem, which is transparency. "You could still have a [convicted former Rep. Randy] Duke Cunningham lurking in the shadows of Congress" if lawmakers do not institute rules requiring disclosure of project sponsors. Cunningham, a California Republican, was convicted of taking bribes in return for earmarks.

The Labor-HHS Appropriations Subcommittee continues to receive the most requests. This year, the panel received 5,869 requests, down from 10,272 last year, a 42.9% drop. That total appears likely to be whittled down considerably, as demands for priorities such as low-income energy subsidies crowd out earmarks.

Requests for Energy and Water earmarks, also very popular, are down the least of all seven subcommittees, by 19.8% to 2,864 from 3,572 last year. In contrast to most of the other panels, Energy and Water earmarks actually increased by \$760 million in fiscal 2006, up about 40% from fiscal 2005.

Other subcommittee requests are as follows: Agriculture—1,623, 32% below last year; Foreign Operations—273, 37.4% down; Homeland Security—561, a 54.9% drop; Interior—1,947, down 47.8% from last year.

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# Industry Calendar

**April 2–6, 2006**

SDDC Europe Workshop  
Willingen, Germany

**April 8–11, 2006**

AMSA Annual Convention & Trade Show  
Ponte Vedra Beach (Jacksonville), Florida

**April 18–22, 2006**

California Moving & Storage Assn. Annual Mtg.  
Lake Tahoe, Nevada

**April 22–27, 2006**

FIDI Conference  
Beijing, China

**May 1–4, 2006**

SDDC–HQ Symposium  
Nashville, Tennessee

**May 4–7, 2006**

South Carolina/Georgia Movers Association  
Annual Movers Conference  
Myrtle Beach, SC

**May 5–6, 2006**

**HHGFAA Forum on Cargo Security**  
**Hong Kong, China**

**June 15–17, 2006**

BAR Conference  
Malaga, Spain

**July 9–12, 2006**

National Council of Moving Associations  
Nashville, TN

**Sept. 11–12, 2006**

Military/Industry Meeting  
Alexandria, VA

**Sept. 24–28, 2006**

NDTA Forum  
Memphis, Tennessee

**Sept. 18–19, 2006**

CAM Annual Conference and Golf Tournament  
Toronto, Canada

**Oct. 7–8, 2006**

PAIMA Convention  
San Francisco, California

**Oct. 9–12, 2006**

**HHGFAA 44th Annual Meeting**  
**San Francisco, California**

**Oct. 14–17, 2007**

**HHGFAA 45th Annual Meeting**  
**New York, New York**

**Oct. 4–7, 2008**

**HHGFAA 46th Annual Meeting**  
**Honolulu, Hawaii**