



# Costs and benefits of C-TPAT membership for small, midsize companies

By Karen A. Lobdell

If you attend any conference or seminar on supply-chain security these days, you're bound to hear a large company discuss its experience with the Customs-Trade Partnership Against Terrorism. This is a good thing, as support from highly recognized brand names has contributed to building C-TPAT's credibility.

But what about small and medium-sized companies? Why aren't we hearing from them? Perhaps it is because to date, neither the government nor the larger companies in the trade community have been able to show them any real benefit to participation. As a result, most small and midsize companies do not join C-TPAT. This lack of participation could leave a large gap in the supply-chain security of U.S. imports. This gap could be minimized if we did a better job of encouraging these companies to make supply-chain security part of their business model and to become C-TPAT members.

To put this in perspective, let's take a look at the size of their shipments. Typically, they are small orders and move as less-than-containerload or less-than-truckload shipments. As a result, imports by small and midsize businesses are usually commingled with multiple orders from other companies in the same container or trailer. The likelihood of a truckload or containerload of consolidated shipments containing 100 percent C-TPAT cargo is slim to none. Therefore, the benefits of reduced exams and priority processing available to importers with full containers or trailers do not exist for small and midsize companies. These importers share the space — and all it takes is one non-C-TPAT shipment on that consolidated

load to eliminate their chance of receiving those benefits.

This is also an issue for the LTL and LCL carriers. Many of them have joined the program because of pressure from their larger customers. Yet the LTL and

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*Small companies are unlikely to enjoy the benefits of fewer inspections, but large customers may require that they be C-TPAT members.*

*Collateral benefits may include reduced pilferage and theft, better asset utilization and supply-chain integrity.*

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LCL operators themselves will not enjoy preferential treatment, such as FAST lanes at the northern and southern borders, because their consolidated loads contain C-TPAT and non-C-TPAT cargo. A carrier must have 100 percent C-TPAT cargo in its consolidated trailer to use the FAST lane. The same goes for non-vessel-operating common carriers with cargo from multiple shippers in their marine containers.

So what then are the benefits of C-TPAT membership for small and medium-sized companies that don't have enough cargo to ship full containers or trailers? Granted, they are limited. Still, for each business that joins the program, they are one step closer to positioning the carriers to build consoli-

dated loads of 100 percent C-TPAT cargo. In the meantime, smaller businesses should focus on some of the other collateral benefits. These include:

- Reduction in theft, pilferage and loss.
- Improved marketability. If a company is doing business with any of the Fortune 1000, this will be a requirement of doing business, if it isn't already.
- Brand protection.
- Improved asset utilization.
- Improved process flows; reduction in process deviations.
- Greater supply-chain integrity.
- Proactive positioning measure for exports with regard to upcoming implementation of the World Customs Organization's security framework.

The cost of joining C-TPAT is an obvious concern, especially for many small and midsize companies. When they hear that some large companies have spent more than \$100,000 to "meet the minimum criteria," it's natural to balk. Most small and midsize companies don't have that kind of money to spend on security. However, their costs should be lower than large companies, which typically have more complex supply chains and greater security needs.

To reduce their costs, small and midsize companies may consider hiring a consultant or law firm with supply-chain security specialists to assist them with portions of the C-TPAT application and

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supply-chain security assessment process. Some of them will offer customized services working in conjunction with a company's own internal management team. Solid expertise can be found for less than \$10,000. The cost will depend on how much of the process a company hands off to the consultant. The more ownership a company takes, the lower the cost of consulting fees.

Companies may find that the projected cost is lower than anticipated if they review their existing internal controls and procedures against the importer security criteria. In many cases, they may find that they simply need to better document and verify their procedures, and perhaps add a few new ones. Shoring up internal controls may result in some additional costs. Examples may include upgrading physical access controls, such as an employee badge system, or upgrades to information technology security, such as password protection. The cost will vary from company to company based on its size, existing controls and risk analysis. In many cases, the main cost will be time: the time and manpower to conduct a security assessment, draft and implement procedures and train personnel. And we all know that time is money.

Setting realistic timelines to prepare for a C-TPAT application will keep this cost down. Having a project "team" will spread the workload so that one person does not bear the brunt of the labor.

Setting unrealistic deadlines is where many companies find they incur unnecessary costs. Remember, C-TPAT is a voluntary program and companies can set their own timelines for application. Finally, companies should keep in mind

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that C-TPAT importers are not expected to guarantee that every shipment is secure, but rather, they must demonstrate an ongoing commitment toward strengthening their supply chains.

Customs and Border Protection's resources are already stretched, but to move the program to the next level, there must be participation from small and midsize companies. Customs should consider partnering with organizations that focus on these companies, such as the Small Business Administration.

In addition, LTL carriers and NVOs that handle consolidated loads should reach out to their customers and encourage participation by educating them on why they should join C-TPAT. This should be a no-brainer for the carriers as it will ultimately benefit them as well — outreach is in their best interest. The more small and midsize companies that join C-TPAT, the more likely that an NVO or LTL carrier will be able to build a consolidated load that consists of 100 percent C-TPAT cargo.

In a speech last March to the American Chamber of Commerce in Singapore, Homeland Security Secretary Michael Chertoff acknowledged that freight consolidators are always going to be in a different position from shippers that deal with regular known shipments. While the burden is on the industry, Chertoff said the DHS is willing to listen if companies "can convince us that you have a way of creating a level of trust and kind of a 'registered traveler' for these kinds of goods, we are certainly open to listen."

Chertoff's statement implies that it's up to the private sector to solve the problem. But as C-TPAT is a voluntary government-business initiative, it would seem reasonable to expect Customs to help develop solutions for the challenges faced by small and medium-sized companies. That said, the trade community cannot wait for Customs to provide the answers. Small businesses that do not integrate supply-chain security into their business models pose a risk to all of us — all it takes is one weak link for a breach to occur.

With 2007 just around the corner, maybe we should consider what each of us can do to take supply-chain security to the next level by finding ways to bring more small and midsize companies into the C-TPAT program. We have plenty to gain and everything to lose. ⚙️

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