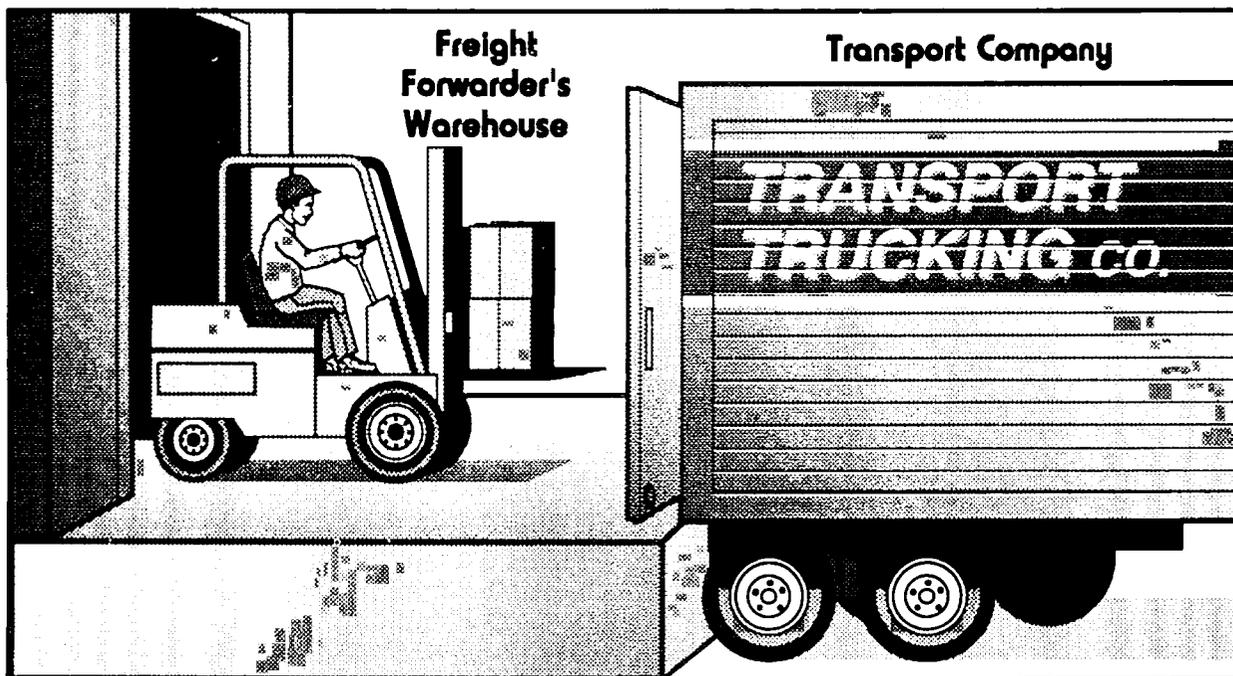

Hiring A Freight Forwarder— Are You Getting What You Pay For?

By

Gary G. Geilenfeldt

It is this author's opinion that the transportation of Foreign Military Sales (FMS) material has the potential to be the "Achilles Heel" of the entire FMS program if not done correctly. The "out of sight, out of mind" mentality and the lack of a big picture understanding of how the transportation system works can and will undo all the time and effort expended in the Letter of Offer and Acceptance (LOA) process. If this article serves as a wake-up call for just one country, a freight forwarder, a Department of Defense (DoD), a Military Department (MILDEP), or General Services Agency (GSA) organization, it will have been worth the effort.

There is always going to be a fall guy, a scapegoat—someone to blame when either the requisitioned part doesn't arrive or arrives in a damaged condition. It is generally easiest to blame the person or organization which either puts up the weakest defense or is not around to put up any defense at all. The number of times I have heard the Freight Forwarder blamed for the damaged or lost item surpasses my ability to recall. It seems the freight forwarder organization usually receives the blame, whether legitimate or not. What is a freight forwarder supposed to do? The short and simple answer is whatever the country tells it. But you might have surmised that it is not quite that short and is by no means that simple. Let us take a closer look at what the freight forwarder organization is supposed to do and follow that up with some actual examples of what has happened in the past. First, a little background.



FOREIGN PURCHASER SELF-SUFFICIENCY

The Department of Defense (DoD) Transportation Policy for Security Assistance (see SAMM 80206.B) is generally one of self-sufficiency, and, if you think about it, the reasoning is sound. Since the title of the item is normally transferred to the Foreign Purchaser at the initial shipping point, it only stands to reason that the owner of the merchandise should be responsible for the movement/transportation of the item at the point in time when the country owns it. Also, you should be aware that the Arms Export Control Act (AECA) states that the U.S. Government (USG) shall recover all costs and, in those situations where the USG moves the item through the Defense Transportation System (DTS), any additional costs incurred must logically be passed on to the customer.

A nagging question still remains: how does a foreign customer who owns an item which is physically located in another country become self-sufficient? Well this can be accomplished in a few different ways. The country has the right to pick up the item at the initial shipping point and physically move it itself. For a number of obvious reasons, this is generally not the most cost efficient and timely method of operating. The country could also request the USG to ship the item overseas utilizing DTS (providing that the country has been approved to do so), and that is often done. But the most common method of self-sufficiency is to direct the USG to ship the item to a specified freight forwarder which the country has hired via a separate contractual agreement. This freight forwarder will then act as the country's agent for making onward transportation arrangements to the ultimate destination.

FREIGHT FORWARDER CHECKLIST

The scope of what the freight forwarder is tasked to do by the FMS country which hires him should normally be spelled out in a contractual instrument. The USG is not a party to that contact and has no legal responsibilities in this regard. However, there are some recommendations on what to include in either a statement of work or specific contract which should enable the smooth and efficient flow of material.

I made the statement earlier that the freight forwarder is supposed to do what the country tells them to do. OK, what should you—the country in this instance—include in the freight forwarder contract, keeping in mind that the more complicated and demanding the tasking, the higher the cost of the contract? But, before you even offer a contract to a freight forwarder, you should check out the organization to get a feel for its level of competence. The following freight forwarder (FF) prerequisite checklist could be utilized prior to making an offer:

1. Does the freight forwarder have a professionally trained staff with a working knowledge of USG supply and transportation regulations?
2. Do the freight forwarder's employees have knowledge of export and import documentation requirements? A comprehensive knowledge of the domestic and foreign regulations, including monetary exchange systems, is desirable.
3. What evidence is there of a sound financial history?
4. Does there appear to be adequate warehousing facilities, with enough personnel and material handling equipment (MHE)?
5. Is there an adequate security system for protecting your material?
6. Is there a cargo consolidation capability and the ability to properly package and repackage material for overseas shipment?

7. Does the freight forwarder have the ability to ship and receive material by all modes of transportation?

8. Does the freight forwarder have the capability for direct computer linkage to your computer system and with the USG computer systems?

9. Does the freight forwarder have the ability to either provide or obtain insurance coverage for your material?

10. Can it provide customs brokerage service for the import of your material.

11. Is it familiar with the new shipment tracking capabilities via Supply Tracking and Repairable Return/Personal Computer (STAR PC)?

12. Does a loss and damage claims capability exist and can the freight forwarder receive, store, and transport classified material if required?

From this prerequisite checklist, you have probably guessed that not just anyone can effectively function as a freight forwarder. Selecting a freight forwarder is much like buying a house in that you should not do it without visiting the place and asking a lot of questions. OK, now you know what to look for, what are you going to put into the contract.

Your contract should be unique to meet your particular country's needs. The provisions should reflect what it is you have purchased and the follow-on support methodology your country is going to employ. Your freight forwarder contract, and in particular the statement of work, should reflect what you want accomplished.

SOME ADDITIONAL SUGGESTIONS

The following is not intended to be a contract or a statement of work, but simply some suggestions of what could/should be included:

1. If you want your freight forwarder organization to have the authority to export and import security assistance material under a Letter of Offer and Acceptance, it must be registered with the Department of State, Office of Defense Trade Controls, as your agent. A State Department Form DSP-94 will have to be filled out for exporting materiel, and a Form DSP-61 is necessary for the repair and return of material under an FMS maintenance case. The Security Assistance Management Manual (SAMM), Chapter 5, outlines the specific procedures.

2. The responsibility for classified material is assigned to the country which purchases the weapons system. The freight forwarder will normally become involved in the movement of such material when assigned to do so. A transportation plan is required to be submitted to and approved by the applicable DoD component authority, and certain minimum provisions shall be incorporated into the plan. See DoD 5400.1R and DoD 5100.76-M for more specific detail.

3. Since the primary publication used by shipping activities in determining the security assistance addresses is the Military Assistance Program Address Directory (MAPAD), the freight forwarder must be familiar with this directory. When certain codes, for example a Y or Z, appear in the offer release section of the LOA, a notice of availability (NOA) will be sent to the freight forwarder prior to the item being shipped. This will advise the freight forwarder that either something is going to be shipped within 15 days or something is ready to be shipped but will not be shipped until the notice of availability is returned to the point of origin. If the freight forwarder does not understand how and why these notices of availability are used and what his response

should be, transportation failure looms on the horizon. The freight forwarder must have a good working knowledge of the acronyms contained in the MAPAD.

4. One possible adverse result of the freight forwarder not responding to notices of availability is additional storage charges. DoD and commercial contractors have limited storage facilities. They are unable to store security assistance material for long periods after the material has been prepared for shipment. When shipments are delayed at the source of supply, the purchaser may be liable for storage charges.

5. At the time the material is received, the freight forwarder should establish appropriate records to enable the tracking of the shipment throughout the transportation cycle. It should be tracked by transportation control number (TCN), the requisition or document number, and the FMS case identifier. Computer links to the purchaser and to the USG are desirable and in the long run, most cost effective.

6. Some freight shipments are delivered to the freight forwarder on a collect commercial bill of lading (CCBL). Prompt settlement of these charges must be made by the freight forwarder or the purchaser must establish a credit arrangement with the delivering carriers. If the freight forwarder is not tasked to pay the freight charges under the terms of the contract, the purchaser may have a Type of Address Code (TAC) 7 address entered in the MAPAD that identifies the activity responsible for the payment of the CCBL charges.

7. The freight forwarder needs to inspect the shipping containers on incoming shipments. The initial inspection for damage, shortage, overage, or misdirected shipments should be made before the carrier's representative is released. Damages and container shortages should be annotated on the carrier's document to support a later claim against the carrier. Misdirected shipments should not be returned to the carrier but held pending the receipt of delivery instructions from the source of supply. Damaged, misdirected, and other frustrated shipments should be held in a designated area until a claim is filed against the carrier or the condition is resolved. A container shortage should be annotated on the carrier document. The shipment should be accepted and held pending resolution of the shortage.

8. Container markings and shipment documentation also need to be examined for accuracy. The freight forwarder should ensure that container markings are correct and that the documents accompanying the shipment remain intact and securely attached to the outside of each shipping container. This examination will simplify identification and processing of the shipment in the receiving country.

9. It is imperative that claims for loss, damage, or shortages of material which appear to have occurred while the shipment was in the custody of the commercial carrier, be filed against the delivering carrier. If this responsibility is stated in the contract, such claims should be filed by the freight forwarder on behalf of the purchaser. The purchaser should ensure that the freight forwarder credits the purchaser's account with any settlement resulting from claims against the carrier.

10. The freight forwarder should advise the purchaser of any discrepant shipments which appear to be the responsibility of the shipper. These discrepancies include damage that appears to be result of improper packaging and discrepancies in container marking and shipment documentation. If this material is repackaged and/or consolidated for onward transportation, pictures and any other documentation should be given to the purchaser so the Standard Form (SF)-364 Report of Discrepancy (ROD) can be filled out properly.

11. The freight forwarder should be required to consolidate small packages into larger shipping containers. Materiel should be consolidated according to the purchaser's instructions.

When consolidating shipments, the freight forwarder must ensure that all appropriate markings are placed on the new shipping container. To minimize the risk of loss, damage, and pilferage, door-to-door commercial container service should be employed whenever possible. When this is utilized, the purchaser should be provided a listing of all containerized material. DoD shippers should provide a high enough level of pack in the consolidated shipments to the freight forwarder so that it isn't necessary for the freight forwarder to break down and repack for overseas shipment. The level of pack should be "A" over "B" for those items coming from DoD shippers.

12. The following is a list of other responsibilities that should be delegated to the freight forwarder:

a. Preparation of the documents required for customs clearance in purchasing government agency.

b. Payment of all freight charges for onward movement of material on behalf of the purchasing country.

c. Reporting the export of all security assistance material to the appropriate U. S. government agency.

d. Maintaining complete control over each shipment, starting on the day that the advance documents are received and continuing through the receipt of material from the delivering carrier, processing and staging, and final shipment to the purchaser's port of discharge. This action will enable the freight forwarder to provide constant information on the location and status of each shipment in the system.

e. Provide a follow-up tracer action for inbound material not received in a timely manner, and keep the purchasing country informed via a reporting system.

f. Special instructions must be given regarding material that is to be picked up by the purchasing country's owned or operated aircraft.

g. If desired by the country, arrange for cargo insurance. This should be fully discussed with the freight forwarder and included in the terms of the freight forwarder's contract.

13. Incorporate a degree of flexibility into the contract. A recent initiative by the Defense Security Assistance Agency required the FMS purchasers to provide documentation from their freight forwarders when a report of discrepancy (ROD) is filed for non-receipt. Each non-receipt ROD must be routed through the freight forwarder to indicate that no material has been received on that particular requisition and TCN.

A more complete guide regarding what to include in the freight forwarder's contract is available from the Defense Institute for Security Assistance Management (DISAM) in Dayton, Ohio. For \$20.00 in either a check or money order payable to the U.S. Treasurer (no credit cards or cash), foreign purchasers and freight forwarders can order the textbook, *The Management of Security Assistance*. Incorporated in the textbook as one of the appendixes is the "Foreign Purchaser Guide to Freight Forwarder Selection." The complete mailing address is:

DISAM/DRP
2335 Seventh Street
Wright-Patterson AFB OH 45433-7803

If additional information is desired, please call (513) 255-5850, DSN 785-5850, or FAX (513) 255-4319 or DSN 785-4319.

THINGS THAT SOMETIMES GO WRONG

Considering everything that the freight forwarder is normally tasked to do, it is easy to understand why it is so often blamed for damaged, shortage or misdirected shipment. But, in reality, it is not always the fault of the freight forwarder, and although exact statistics on who is at fault are not available—and even if they were, the accuracy would be suspect—that is not the point of this article. However, I would like to share with you some of the recent transportation problems which came to light on a recent series of freight forwarder visits. These are not presented in any particular order of importance as all mistakes are important to the customer.

1. *Non-receipt and/or incomplete shipping documents.* A common problem often caused by U.S. Shippers when the shipping documents (DD Form 1348-1 and 1A's, 1149's and DD 250's) are not filled out correctly in accordance with MILSTRIP Military Standard 129, MAPAD, MILSTAMP, and the Federal Acquisition Regulation (FAR) current appendices.

2. *Hazardous cargo/hazardous certification.* Items received improperly labeled and/or packaged. If an incorrect shipment is accepted, the freight forwarder and country are subject to fines. Individuals who sign the paperwork must be certified. The freight forwarder can't legally redo incorrectly prepared documents. The International Air Transportation Association (IATA) or the International Maritime Dangerous Goods Code (IMDG) applies to the packaging and marking of FMS shipments of hazardous material applies.

3. *Documentation-air freight.* Air freight is used for a majority of the hazardous freight for certain countries. The certificate should not name the freight forwarder as the final destination; it should name the mark-for address, which is the ultimate in-country destination.

4. *Misdirected freight.* Articles are erroneously sent to a Type of Address Code (TAC) 3 which for one particular country is a desk in the embassy in Washington DC. In this example, DoD shipping personnel did not read the MAPAD correctly. TAC 3 is where the NOA should be sent.

5. *Advance documents not received.* Much of the time documents are received after the shipments have arrived. It seems that certain U.S. depots are holding paperwork and mailing it out in batches. This causes the freight forwarder a lack of visibility of inbound transportation requirements needed to receive, process, and transship material in a timely manner to the ultimate in country destination.

6. *Evidence of shipment.* Sometimes it is next to impossible to get documents showing that an item was shipped. The freight forwarder must have proper documents to transship. In order for the FMS purchaser, its freight forwarder, or agent to file a claim with the carrier for nonreceipt or shortages, proof of shipment is required. Also, some depots fill out the value field of the DD-1348 with all 9's as a default. It seems that USG doesn't put prices on all documents and since FMS shipments require data in the price field, when the depot uses 999999 as a default, undesirable consequences may result.

7. *Consolidated shipments.* The depots mix final in-country consignees in the same box according to country code and not case ID. In other instances, USG material and FMS material are erroneously packed in the same consolidated shipping container.

8. *Non-adherence with shipping instructions in MAPAD.* The SII in the MAPAD is not always followed. One depot sent 1.2 tons of publications by US mail. Another sent a one-pound item by CCBL and the trucking company charged a minimum fee based on 100 pounds.

CONCLUSION

So you see, when things go wrong, it is not always the freight forwarders' fault. Yes they do receive much of the blame, but that is generally because of their geographical location and role as an agent for a foreign government. There is enough fault to be passed around to all the players involved in the transportation arena, but the only thing that is really important is to correct the mistakes shortly after they occur and guard against any reoccurrence.

There is a saying that goes something like this: "IF IT AIN'T BROKE, DON'T FIX IT." If you already have a smooth, efficient freight forwarding operation, resist the temptation to make massive changes. Certain changes will be inevitable due to the dynamic complexity of the FMS programs, but frivolous change will not only cost additional dollars in the long run; it could also have an adverse affect on delivery of the foreign purchaser's material.

Lastly, to ensure you are getting what you pay for, have a contract with a good statement of work. Incorporate some flexibility for future changes and remember, "a verbal contract is not worth the paper it is written on."

FMS TRANSPORTATION ASSISTANCE

When the requisition number, document number, or TCN number begins with the following letter, "B" for Army, "P" for Navy and Marine Corps, "D" for the Air Force, contact the appropriate FMS ILCO activity below:

Army: Deputy for Operations
U.S. Army Security Assistance Command
Attn: AMSAC-OL/T
3rd Street and M Avenue, Bldg 54
Army Depot
New Cumberland PA 17070-5096

Telephone: Commercial (717) 770-6843/6349/6914/6495
DSN 977-6843/6849/6914/6495

Message Address: TWX-CDRUSASAC NEW CUMBERLAND PA//AMSAC-OL/T

**Navy and
Marine Corps:** U.S. Navy International Logistics Control Office
Attn: Code 252
700 Robbins Avenue
Philadelphia PA 19111-5095

Telephone: Commercial (215) 697-4142
DSN 442-4142

Message Address: TWX-NAVILCO PHILADELPHIA PA//252//

Attention Freight Forwarders:
Problems concerning misdirected and/or frustrated material use our
Toll Free Number 1-800-356-6890 FAX: (215) 697-0332

Air Force: Headquarters Air Force Materiel Command
Transportation-Policy Division
Attn: LGTT
Wright-Patterson Air Force Base OH 45433-5999

Telephone: Commercial (513) 257-3422/2919
DSN 787-3422-2919

Message Address: TWX-HQ AFLC WPAFB OH//DSTTI//
Toll Free Number: 1-800-448-0361

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