

with the exception of refined soybean oil, where the tariff will be phased out over 15 years in equal annual cuts.

CAFTA's passage "will solidify our position as the preferred supplier of soybean and soybean products to these Central American nations," the American Soybean Association said in a statement.

The Port of New Orleans, expected to benefit from a surge in north/south trade, said, "this agreement will create new markets for Louisiana exports," as well as 2,769 new local jobs.

The port noted that most of its facilities were in the district of Rep. William Jefferson, a Democrat who crossed party lines to vote for CAFTA.

Union Anger. Labor unions and their Democratic allies fumed that CAFTA gives corporations a strong hand while offering little protection to low-wage workers in Central American nations.

The passage of CAFTA means "the United States will not be able to use trade sanctions, or the threat of them, to press other countries to improve their labor laws and enforcement practices, as we have done successfully in the past," said Rep. Benjamin Cardin of Maryland, the ranking Democrat on the Trade Subcommittee of the House Ways and Means Committee. "CAFTA puts in place only the requirement that Central American countries enforce their own labor laws, however weak they may be."

Symbol Of Resolve. The Bush administration risked so many of its chips on CAFTA because "it was important to our position as the global leader on trade, so we had to fight back. That meant explaining aggressively why it was good," said Rob Portman, the U.S. Trade Representative.

"CAFTA has become something much larger than a trade agreement," said Harold McGraw III, chairman and CEO of The McGraw-Hill Cos. Inc., and chairman of the Emergency Committee for American Trade (ECAT). "It is also a symbol of U.S. resolve and commitment to move forward on investment liberalization, particularly within the developing world."

In the political wake left by CAFTA's tumultuous passage, it remains unclear when the trade pact will actually come into force.

After signing the bill into law, President Bush must negotiate a date for CAFTA to become effective with his counterparts in the signatory countries.

Thus far, only Guatemala, El Salvador and Honduras have passed implementing legislation. Costa Rica, the Dominican Republic, and Nicaragua have yet to do so. ■

Logistics behind a helping hand

BKA Logistics focuses on humanitarian assistance cargo.

BY ROBERT MOTTLEY

Handling humanitarian cargoes is a specialized logistics discipline. U.S. freight forwarders in that niche tend to be based in Washington, D.C., or keep offices there to be near government agencies involved in such shipments.

BKA Logistics Inc. (BKA) is one of the few freight agents in Washington to be licensed by the Federal Maritime Commission as a freight forwarder.

"About 80 percent of what we do is humanitarian assistance cargo in general. Of that, the largest piece of the pie from the standpoint of volume — 75 percent — involves food aid, meaning the movement of food," said James B. Mead, BKA's president.

Non-humanitarian cargoes account for the remainder of BKA's business. "Those shipments can be general merchandise, such as an individual wanting to send a car overseas. We also have handled frozen vegetables for a niche export company. We just shipped a barge crane to Dubai," said Mark W. Millard, BKA's executive vice president.

"We're definitely looking to increase our commercial business," Mead said during an interview at BKA's office on K Street in northwest Washington.

Discussing BKA's customer base, Mead noted, "we represent about 15-plus groups that program food aid. In terms of non-food-aid humanitarian assistance work, we have about 60 clients."

In the food aid sector, "thanks to the loyalty of our customers, turnover is very low. Among the company's non-food aid clients, there's more sporadic activity, although groups use us repeatedly. In that sector, you're talking about very small groups — such as a local church or hospital — compared to Fortune 500 companies," Mead said.

Tight Shop. Asked how BKA can earn a profit from working with such small groups, Mead explained that "we've been

really successful on the food aid side of our business. There's a certain revenue stream that comes to us from that sector which allows us to handle the needs of smaller non-food-aid shippers and not worry about making a major profit on what we are doing for them.

"That's not say we don't charge them. We do, but we undercut our service fee dramatically to help these aid shippers along," he said.

"Thankfully, we have never had a red season in the four years since we began operations."

Including Mead and Millard, BKA has four staffers and one person working off-site under contract.

"Being a small shop, as we are, we all do everything. Mark and I book cargoes, prepare bills of lading, answer questions from our clients and handle complaints if they come up," Mead said. "In sharing that work, he and I are no different from our staffers in the bullpen."

"We never want to get too far away from what's happening on the projects we represent," Millard said.

Types Of Aid. In June, for the private agency S.H.I.P. Aid, BKA handled the delivery of 17,000 pounds of medical and educational supplies, clothing and children's toys — 653 boxes and four pallets — to the Kingdom of Lesotho in southern Africa.

"When commercial containers arrive at their destination, consignees usually don't jump up and down with glee or give the high fives that greeted our client's delivery team in Lesotho," Mead noted. "There is an extra level of satisfaction to our business."

In February, BKA Logistics shipped six full containers of U.S. long-grain milled rice to Cuba, from Gulfport, Miss., on behalf of the Sovereign Military Order of Malta.

"For that particular project, we identified the rice sellers, negotiated and prepaid the



BKA Logistics

purchase price, contracted for the ocean freight, and prepared all the necessary information and export approvals to get the rice to Cuba,” Mead said.

Last October, the U.S. Agency for International Development (USAID) renewed a contract for BKA Logistics and its partner, Pacific Cargoes, to manage USAID’s international food aid shipments. The contract runs through Oct. 31, and is the first of three possible one-year service extensions that USAID has opted to exercise.

Under terms of the pact, BKA is responsible for providing full export documentation, forwarding services, and Web-based tracking and reporting systems to USAID on all liner and charter cargoes programmed by USAID’s Office of Transportation. USAID also uses BKA for the freight tendering and contracting on all of the agency’s “mark and count” shipments — meaning cargo that’s bagged or parceled in some manner.

BKA has also arranged for the transport of nonfat dried milk to Angola for the Humpty Dumpty Institute to fund HALO Trust, a non-political organization that specializes in the removal of war debris. This was the second of two shipments totaling 500 metric tons of dried milk sold by the institute to benefit the HALO Trust.

Other steady BKA clients include Counterpoint International, Crosslink International, Food for the Poor Inc., the International Partnership for Human Development, Land O’Lakes Inc., Mercy-USA, Orphan Grain Train, Project Aid Siberia, TechnoServe Inc., the United Methodist Committee on Relief, and the Admiral Jeremiah Denton Foundation.

Shepherding PVOs. The key to survival for a forwarder specializing in humanitarian aid shipments “is to be sure that the organization receiving the government award of cargo is your customer,” Mead said.

“Most of our clients in that sector are private voluntary organizations or PVOs. Many of them are based in Washington, or have representative offices here if they work abroad,” Millard said.

Once BKA has been selected by a PVO, “due to recommendations or cold calling or reputation, once we have that in place, we are then notified that the cargo is coming through the PVO’s submission of a proposal,” Mead said.

“We offer input and advice for a PVO client during the proposal writing stage, focusing not so much on the mechanics of how they will program deliveries abroad, but on the logistics component that the government requires in such proposals,”

Millard said. “We work with our PVOs more on content than actual word text, focusing more what they have to tell the government than how they tell it.”

“Our clients have been very successful at getting repeated awards,” he added.

One BKA customer, Food for the Poor, based in Deerfield Beach, Fla., recently started a food aid program in Jamaica and then expanded it throughout the Caribbean.



“We have the easy job. We get the product where it has to go. The people we’re serving are at the sharp end of the spear. They have to use the cargo once it’s in-country.”

James B. Mead
president,
BKA Logistics Inc.

Another client, the International Partnership of Human Development, “operates in select countries where IPHD has teams of people in place to handle incoming food aid shipments,” Mead explained.

“We’re not responsible for a PVO’s actions in-country. We get the goods into their hands, and then, more importantly, see that a PVO’s people on the ground realize the end of the contractual responsibility from the ocean carrier’s standpoint,” he said.

Vessel agents have been known to double-bill humanitarian aid consignees

“who may not know they have been snowed in that way,” Mead added.

Such double payments can usually be corrected months later, but meantime, the receiving group is out of pocket for the money. “We forewarn PVOs of such possibilities,” Millard said.

Some contracts, particularly for landlocked countries, permit the U.S. government to pay the freight all the way to the inland delivery point. “We can do that under a through bill of lading, putting all of the onus on the ocean carrier,” Mead said. “Or — and this is happening more and more — we can break up the contract, for savings purposes.

“For example, we might have an ocean contract to the port of Mombasa, in Kenya. Once that contract is completely concluded, we can close that ocean freight book, which has already been competitively bid and awarded,” he explained.

“Meantime, we have already competed an inland contract to take the cargo from Mombasa to its destination in-country. We bid the second contract from here, in Washington, broadcasting it out to a wide number of people,” Mead said.

“We’ve found that our connections here are well attuned to what ocean carriers can do and what PVOs are requiring — in part because we bring brokers who deal with steamship lines into our network as needed,” Millard added.

On rare occasions, despite precautions taken by BKA, Mead and Millard will find out that a PVO’s cargo has been stolen or lost in-country.

“Although that may not technically be our fault, we do take such bad news personally, and try to sort out what happened — so that it won’t occur again,” Mead said.

How Contracting Works. Significant differences exist between normal commercial shipments and those of humanitarian aid.

“For one thing, the containers used are pre-inspected by government officials. The containers have to be structurally sound, and clean. For example, a food aid container cannot have been used previously for carrying hazardous cargoes, or something odiferous such as animal hides,” Millard said.

The payment of freight is also completely different for humanitarian aid cargoes. “In our commercial business, for example, frozen vegetables are shipped either collect, purely collect where receivers pay the bill, or under a prepaid bill of lading in the full sense of the term,” Mead said. “But food aid is different. In that sector, when we say ‘freight prepaid,’ we mean it’s ‘pre-paid’ in

the sense that it's not 'collect.'

"For payment, the cargo has to get there. And until it gets there, or until a certain period of time has passed, the payment documents will not be processed through the government," he explained.

"We don't have to float freight monies very much. In the Title II food aid program, operated by USAID, once the payment of freight funds is approved, they are transferred to us by the government on behalf of our client. We then pay the carrier, once everything is confirmed," Mead said.

"But it's not as if we got the money four weeks ago and don't have to pay it right away. The process takes so long — between six months and a year — that about the time we're receiving the money, it's already due the carrier anyway," he said.

The ocean carriers pay BKA a contractually allowed commission for forwarding services. The maximum is 2.5 percent of the gross ocean freight on a shipment. "Commonly, if brokers are involved, that is whittled down to two-thirds of 2.5 percent," Mead said.

"That's a low percentage of return. Fortunately, we have enough of a client base to sustain us," Millard said.

For food aid shipments arranged by the U.S. Department of Agriculture, "we aren't involved in the payment process at all," Mead said.

"If we acted money-wise for a PVO client, USDA would consider that to be an 'assignment of the freight.' They read the regulations so that such assignments aren't allowed," he noted. "So, we present all of the documents required of the shipper as to payment. The USDA matches those documents up to the carriers' request to be paid. We're paid our commission before those documents are finalized."

For handling USDA cargoes, carriers have to pay BKA's commission, since one of the documents submitted to USDA by BKA must be a "paid commission invoice."

"We're never burned or stiffed in our business. The humanitarian world is generally one of good faith," Millard said.

That's because, in large measure, partisan politics is not involved. "We do no lobbying on Capitol Hill," Mead said.

Humanitarian Focus. There are several other providers of logistics services for humanitarian cargoes in Washington other than BKA and Pacific Cargoes.

Panalpina has a unit, which recently relocated near Dulles Airport, that is active in this niche. Universal Shipping and several country agents are also on the scene.

"There may be seven such organizations in all, but they handle more government-



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BKA Logistics Inc.

impelled shipments, representing a foreign government in moving Title I business," Millard explained.

Title I is a USDA concessionary loan regime in which a country that meets certain economic criteria will be allowed to have a program from which it can purchase a commodity and pay the freight from the same assessed amount of money, which is then slowly paid back to the Title I program over time.

"Representing foreign governments is a fairly steady business, but it was never something—before and after BKA Logistics—that Mark and I were ever involved in," Mead explained. "We've always focused on representing humanitarian organizations, such as church groups and others of that nature, more from a sense of helping out. There are also contractual restrictions, to the effect that as we are contracted to USAID, we could not represent a foreign government in the same line of work — as far as food aid was concerned."

As for military cargoes, BKA does not participate in the Foreign Military Sales (FMS) program.

"However, we have brought in materials of a military nature for testing purposes,"

Mead said, "and re-export them back after testing."

Mead and Millard did not know of any purely commercial freight forwarders based "in Washington proper," Mead said. "This isn't a port city. You find them, of course, up toward Baltimore."

Development Strategy. Before forming BKA in 2001, Mead and Millard worked in the Washington office of D.F. Young, a long-established freight forwarder based in the New York area.

Mead started his career with D.F. Young, which sent him to the nation's capital in 1988 to handle government accounts. Millard said he joined the organization "right out of college," working with Mead in Washington.

Both Mead and Millard spoke warmly of D.F. Young's late chairman, Joseph Kearns, whom Mead described as "a mentor and an Irish gentleman in all ways."

After Kearns sold D.F. Young, Mead decided in the summer of 2001 to start a new company to serve customers that he had come to know well in the Washington area. Millard joined him in the new venture

"We were familiar with the trail," Mead explained. "The business was out there. There were no employment contracts the way D.F. Young was set up. There was nothing that legally prevented us from courting those clients."

"In this field, whether you're talking about commercial or humanitarian cargoes, personal relationships drive the train," Mead said.

There's been some humor in BKA about what the company's initials stand for. In particular, they don't mean 'better kick ass' or 'bare-knuckled associates.' The initials are actually those of the first names of Mead's three sons, Brian, Kevin and Aidan.

Pacific Cargoes Inc., BKA's partner company, was a subcontractor for USAID cargoes at D.F. Young. "Due to various management changes at D.F. Young and our departure, that project was canceled. When it came to be rebid, our team here and the Pacific Cargoes group upstairs decided to chase it down together. We were successful in bidding for the USAID work," Mead said.

In 2003, BKA and Pacific Cargoes managed the movement of more than one million metric tons of food aid worldwide.

"Now the roles are reversed. Pacific Cargoes is the primary contractor, and we are subcontractors to them. However, the roles and responsibilities we've shared over 14 years are still in place."

BKA is a non-asset-based freight forwarder. "We own no warehousing space. All of our work is done by phone and

computer,” Millard explained.

As for trucking companies or owner-operators used by BKA, “we’ll give anyone a first shot and see how it works — after initial vetting,” Mead said.

The same goes for ocean carriers coming into food aid programs for the first time. “If they have a proven track record, meaning that you’ve known about them commercially and you’ve heard good stories about them, then you don’t have as many concerns as when they come completely out of the blue. Then you go through a diligent vetting process,” he explained.

A limit of 25 percent of humanitarian food aid cargoes can travel on non-U.S.-flag ships. “There have been very few occasions where we haven’t had multiple offers from foreign-flag ocean carriers. We haven’t had trouble placing those cargoes,” Millard said.

BKA has plans to expand to become “what we enjoyed being previously in our D.F. Young days, a company in multiple locations with a number of different services. We’d like to offer warehousing and cargo consolidation under our roof,” Mead said. Customs brokerage “would be a third stage” at this point, he noted.

“The temptation is to hire a slew of staff and chase down business. We’re more old school. We’d prefer to sweat it out with fewer people until the work becomes steady,” he explained. “We’ve grown rapidly in the niche we are serving. Here on out, we’ll do so in sure steps.”

Millard noted that BKA’s business logo is a shamrock superimposed over a compass rose. Food aid, humanitarian aid, commercial activities comprise the three leaf of the shamrock. The compass rose denotes the international scope of the company’s business.

“In terms of humanitarian aid shipments,

“BKA cares not only about the cargo being transported, but also looks after the interests of those shippers who are concerned about humanitarian aid arriving safely in nations where it is so crucially needed.”

R. Kenneth Johns Jr.
vice president,
Network America Lines

we have the easy job. We get the product where it has to go. The people we’re serving are at the sharp end of the spear. They have to use the cargo once it’s in-country,” Mead said. “If we can help them complete their mission abroad, that’s the least we can do.”

“Mead and Millard mean exactly what they say. They’ve done regular work for us and their attention to our needs has been exemplary,” said R. Kenneth Johns Jr., vice president of Network America Lines (NAL), a non-vessel-operating common carrier

Fritz Institute reviews tsunami logistics

SAN FRANCISCO

While humanitarian groups responded quickly to the December tsunami disaster in South Asia, a recent study found that there was a general shortage of trained logisticians on hand to manage the aid supply chain to the region.

The study, which was conducted by the San Francisco-based Fritz Institute in partnership with the KPMG and Massachusetts Institute of Technology, considered the experiences of about 100 logisticians from 18 of the world’s largest aid organizations.

“We have found that many humanitarian logisticians are hoping that one of the key lessons from this situation is a commitment to create a much larger pool of logisticians who will have formalized training and professional certification to instill standards for service delivery and collaboration throughout the sector,” said Lynn Fritz, director general of the Fritz Institute, in a recent statement.

Fritz started the institute shortly after selling his freight forwarding and customs brokerage firm Fritz Cos. to UPS in May 2001. Since then, he has spent millions of dollars of his own money to research logistics operations of humanitarian organizations and to develop the institute’s Humanitarian Logistics Software.

Fritz has been an outspoken proponent of applying commercial supply chain management concepts to humanitarian aid logistics and transportation.

The recent Fritz Institute study reported that the “ad hoc” collaboration between the aid groups helped meet the immediate needs of the tsunami disaster, but was “less effective” in ongoing relief efforts.

“It is important that appropriate mechanisms and tools for collaboration between the central relief players featuring the humanitarian sector and including active military and private sector partners be created before the next disaster,” the study said.

The study recommended that aid groups create a cadre of logisticians for rapid deployment to disaster zones, and implement

specializing in moving cargo to Puerto Rico, the Caribbean, North Europe, the Mediterranean and the Middle East.

“BKA cares not only about the cargo being transported, but also looks after the interests of those shippers who are concerned about humanitarian aid arriving safely in nations where it is so crucially needed. That’s a rare mind set in logistics,” Johns explained.

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Lynn Fritz

director general, Fritz Institute

information systems to track the flow of goods to recipients. Only 26 percent of the respondents surveyed for the study had access to software that provided track and trace capabilities to anticipate the arrival of aid in the field.

The study noted that destruction of infrastructure, such as roads and airfields, and customs delays frustrated efforts to transport goods to the tsunami disaster area. According to the study, 71 percent of respondents encountered some customs-related delays, particularly in Indonesia and Sri Lanka.

“Items that were particularly sensitive, such as radio equipment or medical supplies that could be used by rebel forces, also faced longer delays,” the study said. “After several weeks of open customs policy, governments decided to reinstitute monitoring and restricted flow of goods. The sheer volume of goods and lack of clear communication of the changes in procedures and requirements created bottlenecks.”

A complete review of the report, *Logistics and the Effective Delivery of Humanitarian Relief*, is available online at www.fritzinstitute.org.