

# LOGISTICS AND INTERNATIONAL BUSINESS

Copyright 2004-2005 A. J. Redlhammer

**The SEARIDERS GROUP** is a family-owned group of companies that offer international Freight Forwarding, Logistics and Customs Brokerage service to the general public. As a normal part of the SEARIDERS business, the companies maintain a website for marketing and informational purposes.

From the beginning, this website has offered useful information to the general public. One of the main intentions of the website was to create a place where one could reference useful information regarding international trade and logistics.

Articles on various subjects have appeared on [www.seariders.com](http://www.seariders.com) usually written by A.J. Redlhammer but, in some cases by guest writers. These articles, covering various aspects of trade and logistics are intended to inform and educate the reader and hopefully, to act as repository of reference information for future utilization.

The following is a compendium of these articles.....(Not in order)

## **“I’m from the Government and I’m here to help you.”**

In my misspent youth this phrase was referred to as "one of the three greatest lies". ( The other two can't be discussed in polite society)

I am happy to report that I have found a situation where the phrase, "I'm from the government and I'm here to help you" is absolutely correct and is worth looking into.

Of course, I'm referring to the USF&CS (United States Foreign and Commercial Service) and their export assistance programs

designed to assist exporters in United States to find customers overseas. The programs also work in reverse by assisting foreign buyers to find products and suppliers in the United States.

The best part is that it costs little or nothing to reap the rewards available. All you have to do is ask.

A division of the U.S. Department of Commerce, the U.S.F. & C.S. exists to promote the exports of U.S. products and services. To this end, there is a virtual endless supply of databases, local experts, coordination with embassies, trade missions and other kinds of assistance available for anyone from the inexperienced "wannabe" exporter to the sophisticated and experienced international trader.

There are offices all over the United States and usually in each U.S Embassy in foreign countries (ask for the " commercial attache'). All you have to do is call and, in most cases an experienced trade representative will either invite you to visit the office or, will come out to your place of business. The best part of this scenario is that most of it is paid for by taxpayer dollars.

So, whether you're a grizzled veteran (like me) or a fresh-faced newcomer, if you want quick, easy and inexpensive assistance in increasing export sales, just call the local office of the USF&CS and take advantage . If you can't find a local office, just send me an email [[searider@seariders.com](mailto:searider@seariders.com)] and I'll get you connected.

## **EXPORTER- BASIC REQUIREMENTS**

As Ocean and Air Freight Forwarders, we at Seariders get a chance to see many of the mistakes made by exporters. Even experienced exporters can make mistakes. The purpose of this short article is not

“everything you always wanted to know”  
,etc.

I just want to describe some of the basic requirements faced by an exporter and some of the pitfalls that exist.

The best way to start is at the beginning.....

OK, you’ve made the sale..... Here’s what I (as your freight forwarder) need to know in order to begin the shipment planning and coordination:

**Terms of Sale:** Where does the title for the goods pass ? Did you agree to pay freight charges to the destination port ? [CFR] Did you also agree to insure the goods ? [CIF] Or, did your price only include the cost of goods sold, loaded at your warehouse ? [EXW] There are a few other options so, you’d best be sure that you and your customer both agree on the terms (Visit our “Incoterms” section for a simplified explanation of INCOTERMS 2000) (End of this article)

**Payment:** Do you expect to be paid before shipment ? Upon Delivery ? Open Account ? Letter of Credit ? Sight Draft ? Do you know what these terms mean ?

**Packaging:** Have you checked to see if there are any special packaging or crating requirements to ship your goods to destination? Have you included these costs in your calculations? Are there any Hazardous Materials in your product and has this been considered as well in the packaging plans.

OK, let’s assume that everything’s ready to go. All packed, with proper labels, Forwarder alerted to your requirements with a clear concise Letter of Instructions, Freight costs pre-calculated and tentatively routed. Your Customer now requests that you *under-declare the value of the goods so that he/she can save money on import duties in the country of destination.* What do you do ?

**TELL YOUR FORWARDER !**

An experienced forwarder will not let you under-declare values on the “Export Declaration” (required for all exportations of over \$2500 per line item) because of the penalties for this. However, if you don’t tell your Forwarder that the invoices you supplied do not reflect the real value, he has the right to rely upon the information you supply as “true and correct”. Later on, when U.S. Customs comes to call and you begin to receive fines and penalties, it’s too late.

We can’t be your ethical policeman or tell you that it’s OK to do this kind of stuff. In our experience, the exporter saves absolutely nothing by falsifying values on the Export Declaration. Especially when U.S. Customs can simply compare values with same or similar shipments from you or your competitors to determine actual value. (Result: Fines of up to \$10,000) Not worth it. Be honest !

**Letter of Instructions:** We’ve mentioned this above. Most Forwarders have prepared a simplified “LOI” that gives them/us the information we need to perform the required documentation to get your shipment on its way. Just fill in the blanks. Be complete, it saves time.

**Letters of Credit:** The exception. Your Forwarder will need a complete copy of the Letter of Credit to insure that all documents are prepared in accordance with the terms and conditions of the L/C. This can get quite complicated but a good forwarder will handle the details, prepare all the documents , make presentation of documents to the bank (including the drafts) and will instruct the bank per your instructions to credit your account, wire transfer, or send a draft to you. The best time to discuss a Letter of Credit with your Forwarder is BEFORE you accept the terms...

**Insurance:** Let's discuss cargo insurance for a few minutes....

Want to save a few bucks ? Don't insure your cargo. Want to LOSE big bucks ? Don't insure your cargo.

Cargo insurance is probably the best deal in the entire shipment process. Most insurance premiums do not exceed 1% to 1 ½ % of the value of the goods and offer protection against just about any loss that can occur (Not everything).

You must remember that ALL carriers have a limit of liability for the cargo carried on their bills of lading. From the United States to or from other countries, this limit is "\$500.00 per piece, package, or customary freight unit". [U.S. Carriage of Goods by Sea Act]. \$500.00 per piece sound like a lot ? How 'bout if you ship a car or a yacht or a piece of capital equipment worth \$50,000.00. If that piece is lost, you get \$500.00 that's it.

The best part comes when you try to file a claim with the carrier. Believe me, this can take months or even years and even then you may only get an "offer of settlement" for a lesser amount than the real value of what was lost, damaged, or stolen and only if you can prove that the Carrier was at fault.

When you insure, the insurance company pays your claim and then tries to recover from the carrier. Let them go through this; you don't have the time.....

**Bill of Lading or Airwaybill:** Do you realize that these are contracts? Read the back of the bill of lading or the airwaybill and you will see that you may not be as secure as you think ! Do you know what "General Average" is ? Might surprise you !

I realize that I haven't covered the entire subject but, I've got to leave some room for you to do some research.

I do hope that I've encouraged you to look deeper into the process and hopefully have shown you that the services of a licensed and bonded freight forwarder are a real bargain. [Licensed by the U.S. Federal Maritime Commission]

Remember, a Forwarder works on a fee basis, usually \$100-\$150 per shipment. For this, you get :

- Freight cost analyses - in advance.
- Full export documentation- from a professional
- Insurance placement and certificates, in advance. (plus Premium)
- Inland Freight coordination
- Freight negotiations with underlying Carriers
- Export licensing coordination- if required
- Destination services
- In-House Seminars for your employees
- Coordination with regulatory bodies

Best of all, your Forwarder is doing this every day for many clients. As a result, he has the benefit of the latest knowledge and experience , solid connections, and close relationships with Carriers.

Most forwarders maintain a worldwide network of agents and offices that can give you the latest information about the destination country, costs, delays, etc. What a bargain !!!!

We do international trade and we do it well. We do not buy nor do we sell any product or merchandise in international markets. Rather, our services are geared to assisting our clients to do this and to be successful. We at Seariders just want to be your "delivery boy".

## HOW WE CALCULATE YOUR SHIPPING COSTS

Every day, we at Seariders are analyzing costs and quoting to our clients. In many cases, we've found that the Client really doesn't know how we arrived at the cost-figure so, we usually take the time to tell him or her the following: .

### **Ocean Freight:**

Ocean freight charges are usually calculated in terms of a fixed rate per "1000 Kilograms or Cubic Meter", " whichever derives the greater revenue". This is commonly called a "Freight ton" or Kilo-ton". [1 cubic meter = 1,000 kilograms ]

"Whichever derives the greater revenue" means that you will be charged the rate "per freight ton" even if your cargo weighs less than 1000 kilograms.

Example: A consignment of "widgets" weighing 1000 kilograms and measuring 130 cubic Feet is tendered for shipment. The rate is \$100 per freight ton. What will be the freight charges ?

If you answered \$100, You're wrong !

Answer:

The cost would be calculated upon either 1000 kilograms or 130 cubic feet. Since we know that one cubic meter = 35.31 cubic feet (You knew that , didn't you ?) Then, to find out whether "weight" or "cubic" will apply, we will simply divide 130 cubic feet by 35.31 (one cubic meter) and Voila ! We now know that 130 cubic feet equals 3.68 cubic meters. So,  $\$100 \times 3.68 = \$368.00$ . That's what would be charged if the rate is \$100.00. This is the old "ton of feathers versus ton of lead" rule. We know that they both weigh one ton, but the feathers take up so much more space we couldn't possibly base the charges on weight and fit enough freight in

the ship to pay expenses . So, we (the shipping industry) have determined that one cubic meter is the equivalent of one ton.

Now, we can stay in business.

### **AIR FREIGHT**

A similar system exists for Air Freight.

Rates in International Air Freight services are based upon a fixed rate per kilogram.

However, based upon our experience with ocean freight, we now know that there is a cubic equivalent to one Kilogram. You don't have to look it up; it's 366 cubic inches.

Yes, inches. Well, you do understand that air freight parcels are generally smaller than those that go by ship. [This is not a rule. It just happens this way because of door sizes in aircraft, etc. ] So, the equivalent of one kilogram is 366 cubic inches, how would a person calculate his or her airfreight costs?

First weigh the shipment. Now you have the weight in kilograms, but you need to know if this is the way the air carrier will calculate costs.

So, the next thing to do is measure.

You need to know cubic measure, in inches, so you will measure length , width, and height of each piece [or of the single, strapped or shrink-wrapped pallet the cargo sits on ]. Then you multiply length (inches) x width (inches) x height (inches) and what do you get?

Usually a very large number that represents the total cubic inches of that piece. But we know that 366 cubic inches equals one "cubic kilogram" so, divide that large number by the 366 cubic inches and you have the "cubic kilograms" of that piece. If it weighs more, it goes by weight. If it weighs less, then it goes by "cubic kilograms". Clear?

Of course, on ocean and air shipments there will be other costs for trucking, documents,

insurance, packing, etc. but many of these are based upon the same calculations...

So, now when you talk to your forwarder (hopefully us) you can be prepared with the information he/she needs in order to provide an accurate quote.

By the way, the cargo is re-measured and re-weighed before loading aboard the conveyance, so "fudging" on weights or measures won't usually save any money and could create problems...

### **THE "REAL" SHIPPING COSTS**

Have you ever called an ocean carrier and asked for rates and costs for shipping merchandise from "point A" to Point B", received a quote and then, after the ship has sailed, you receive the unpleasant surprise that the "surcharges and additional" were not included in that quote". ????

"What surcharges ? ", you say. "You never mentioned surcharges. You gave me a quote and that's what I expected to pay". "Oh no sir", replies the clerk you originally spoke to, "We have the following surcharges", she snickers into the phone.

She begins, "Bunker surcharge, Currency surcharge, special equipment surcharge, Panama Canal surcharge, Peak Season surcharge, Terminal handling charge, container service charge, Suez Canal surcharge, Congestion surcharge, Winter surcharge, Security surcharge, imbalance surcharge and Bill of Lading processing charge." (The only thing missing is an arrogance surcharge)

The list goes on but, by this time you're livid with rage over unexpected additional costs that could add up to several hundred dollars. The best part is that you're "stuck" with these costs and will have to pay.

Numerous articles (and complaints) have been written about the unnecessarily complicated rate structures and tariffs that have been developed by ocean carriers worldwide. Surcharges abound and are constantly changing and finding your way through the maze and determining actual costs in advance has become an art indeed. It is my personal opinion that most of these charges are simply a method of raising the price while appearing to offer competitive rates.

We have noted that, even at a time when fuel prices drop, the Fuel surcharges (Bunker) are rarely affected. Similarly, Currency surcharges seem to be calculated using an arcane, secret formula that doesn't seem to always reflect the actual fluctuations of the currency market.....

IS THERE A SOLUTION ????

Of course there is ! Why do you think I'm taking the time to write this article ? The simple solution to getting simplified, uncomplicated, direct quotations for shipping products or merchandise is to ask SEARIDERS.....(No surprise here)

In a previous article, I have explained how SEARIDERS enters into contracts with leading carriers that result in lower rates for our clients. [see- FREIGHT CONTRACTS SAVE MONEY!] An attractive by-product of these contracts is that SEARIDERS now simplifies the quotation and billing process and we minimize the utilization of surcharges. The result is that you get a rate that is simple to understand and covers all of the different "add-ons" that other carriers love to play with.

***The fact is, WE have to deal with the complexities but that doesn't mean that we have to pass it on to you.***

SO, next time you need a rate for shipping something from, or to the U.S. , just call

SEARIDERS for a businesslike, simplified and very competitive quotation.

## **HOW CONTRACTS SAVE MONEY ON SHIPPING**

Here's a concept that could result in lower costs for small to medium sized importers and exporters.

Seariders maintains "Time/Volume" Freight contracts with numerous carriers. A "Time/Volume contract, usually referred to as a "T/V" contract, is an agreement between ourselves and a vessel operator to provide a guaranteed minimum amount of cargo in return for a lower rate . The contracts can cover a single commodity or many commodities and the rule is ,the more we can guarantee, the lower the rate. By consolidating the requirements of numerous clients, the volume becomes significant and we can negotiate advantageous rates for all concerned.

This is the old "cheaper by the dozen" concept and provides both sides a good deal.

Since Seariders services the logistics needs of numerous importers and exporters, we can in many cases, include the specific requirements of a client into our contracts even if the client only has 10 or 20 loads per year (usually not enough to attract a carrier's attention). By "piggybacking" on the aggregate volume produced by Seariders' clients, the small to medium importer and exporter can reduce ocean freight costs without making substantial changes in the supply chain. This is working right now and we'd love an opportunity to add your cargo to the mix. For more information on this and how it might work for you, contact "searider@seariders.com"

## **FREIGHT AUCTION "DOT-COMS"**

I would assume that many of you have noticed the many "dot-coms" and "freight auctions" that seem to have sprung up like mushrooms in a meadow after a summer rain. We've been contacted by at least a dozen that have asked us to "bid" on cargoes offered through their systems.

The concept involves the easy communication available in the internet and some enterprising businesspeople have assumed that, if they could get a large grouping of available cargoes together, people like me will "bid" on these cargoes and market factors should drive prices down so that the shipper gets the lowest price to move his cargo. Of course, they get a commission from the service provider or, in some cases they are just a thinly disguised service provider using this concept to get new business.

The problem is, "Which one do you register your cargo with ?" and then, "How do you know that the successful bidder can do the job ?" How do you check qualifications through the internet?

In a recent, single, publication, I noticed; "Freightwise.com" ,"Transportation.com" ,"Neomodal.com", Freightboss.com", Shiplogix.com", "webmodal.com", "cargo.com", "Gocargo.com", "Shipbrokering.com", "urgentfreight.com", the list goes on and on....

Call me foolish, call me stubborn, but how are all these transportation "dot-coms" going to survive in such a crowded market ? Remember, these are not service providers. These are the auctioneers that list your cargo as if it was theirs and then coordinate "bids". The fallout has already begun and some "dot-coms" are now beginning to fall by the roadside.

As a service provider that prides himself on high quality professional service, I have accepted the fact that Seariders will rarely be

the “cheapest” provider. In order to be “Cheap”, one must sacrifice, quality. Additionally, when cargo is secured through an “auctioneer”, this is “one time business” based on price alone . The opportunity for establishing a long-term relationship with a new customer is therefore rare.

Another factor that I’ve noticed is that the cargo offered in these “auctions” is usually low-value, raw or bulk product that most carriers don’t really want. The cost of doing the business is almost equal to the revenue and thus this cargo is used as “fill-in” on a space-available basis. For shippers of this category, the “dot-com” may be a viable alternative. Just don’t expect service.

A few months ago, we conducted an experiment and “bid” on approximately 100 cargoes offered through an “auctioneer”. It takes time and effort to prepare quotations but, we felt it was worth a try if it resulted in new business. Over a six week period we responded and “bid” on various cargoes. The result ? Not one piece of business even though the “Auctioneer” advised us that we were low bidder on some offerings. So, for us it’s a waste of time.

If you are shipping merchandise to customers that you have invested time, money , and effort to develop, I would assume that you want a reliable, dependable and economical delivery system to get your orders to your customers. Do you want to entrust your future business from these customers to the “cheapest” bidder ?

There is a very real difference between “Cheap” and “Competitive”.

### **CLAIMS**

This portion of is reserved for discussion of subject matter that may assist exporters and importers in the conduct of business. In the

past, we’ve discussed various subjects but, we never got around to one thing that will affect all exporters and importers CLAIMS.

#### ***(Scenario)***

You are an Importer and your Customs Broker has cleared your goods for delivery but, when the goods arrive you notice that the cartons are crushed and it looks like some may have been pilfered. *What do you do ?*

EXCEPTIONS- This is the term to describe the note you should put right on the delivery receipt that the trucker wants you to sign. Write on the face of the delivery document the condition of the goods and get the driver to sign. If your own truck picks up the cargo at the carrier’s warehouse, the “exceptions” should be written on the warehouse receipt that the warehouseman will want you or your representative to sign before releasing the goods. **GET THE DRIVER OR WAREHOUSEMAN TO SIGN HIS NAME UNDER YOUR EXCEPTION.** This confirms that the representative of the warehouse or trucker has verified your allegation of damage or loss.

SURVEYS- Many carrier and/or insurance companies will require that a survey be performed by a licensed surveyor to determine the exact loss. The usual custom is that the claimant pays for the survey and then adds that amount to the amount of the claim. Follow instructions of your insurance company or Customs Broker.

CAMERA- Take pictures ! Before you unpack, take pictures of the cargo to show the condition of packaging. Take pictures throughout the process.

NOTIFICATION- Notify your Customs Broker, the Carrier and your insurance company. Per bill of lading terms, you have a short period within which the carrier (the company that issued the bill of lading) must be notified that a claim exists. You may do this with a “Preliminary Notice of Claim” in

which you write a short letter, on your stationery, to the carrier advising him that the goods were delivered with damaged packaging and that a claim may exist. Once you know the degree of loss, you can file a "formal" claim with the carrier or insurance company.

NOTE: If you or your vendor, have insured the cargo, the certificate of insurance will have instructions regarding the filing of claims with the insurance company.

TIME BAR- This is not a cocktail lounge where everyone wears a watch. This is a term that will appear on the back of the bill of lading or air waybill that states that you must file suit within a certain length of time or the carrier can deny any liability. Please notice, the term is "File Suit". Some carriers will try to keep you debating until this time has expired . Then they can legally walk away from any claim you might have. Protect yourself ! If you are getting close to the "Time Bar", ask the carrier for a letter of extension. Most carriers are happy to oblige.

READ THE DOCUMENTS- The Bill of lading and/or the air waybill have extensive writing on the back in very small print that details the rights of both parties to the "contract of carriage". Yes, a bill of lading is a contract so, you should read the back.

GETTING HELP- Your forwarder or Customs Broker should be able to assist you in filing the claim and following up with the parties involved. He has experience, use it. In most cases, if you are a regular client, there will be little or no charge.

All of these suggestions are based upon the things I've seen people NOT DO and the result was non-payment and losses. At Seariders, we handle your claims as part of our service.

LAST WORD- INSURE YOUR MERCHANDISE ! This makes it much easier for you and the insurance company will take care of the details. Your forwarder or Customs Broker can usually arrange cargo insurance and prepare the certificate in his/her office.

## **INVENTORY SERVICES**

A client called a few days ago with a shipment we were to handle that was destined from the US to England. During the conversation, I discovered that our client, an experienced business person, was warehousing his inventory in a "Public Storage" operation where one rents a small cubicle and must visit each time inventory arrives or a shipment must be made. In order for us to handle his shipment, he had to leave his office, travel to the "Public Storage" and then wait for the truck to arrive to pick up his cargo. If the cargo should be especially heavy then there are problems of loading, packing, etc..

Also, when a shipment arrives he must stop everything, travel to the "Public Storage" and then handle the goods into his "cubicle."

What a waste of valuable time !

Inventory services, provided by Seariders, will receive, store, pick/pack and ship your product. You can then devote most of your time to buying and selling, i.e. "doing business".

We can even prepare your invoice and complete the documentation required by Letters of Credit or other export requirements.

For the small business that cannot justify the costs of establishing a warehouse, Seariders' Inventory Services will allow you to operate from a small office (or no office) and provide

the service your customers expect as a normal part of your business.

While this service is presently available in the U.S only, many of our agents can provide similar services in various countries.

For those clients that may have numerous small shipments destined to a single country or geographic region, Seariders can consolidate these into a single shipment and our destination office will distribute the small shipments locally. The potential for savings is substantial especially for manufacturers and distributors that deal in numerous small orders (Personal items, Cosmetics, etc.)

Naturally, if we can't prove a savings in time or money, or both, there's no reason to change.

Think about it.....

### **CARRIERS MASQUERADING AS FORWARDERS**

The latest news in international transportation is the attempts by many vessel operating carriers to either establish or buy Freight Forwarding companies. Evergreen, Sealand-Maersk, P&O , Hanjin, the list goes on....

Why is this ???

Well, if you will look at the description of our operational procedures as a Freight Forwarder, you might find a hint.

An independent Freight Forwarder is not usually "tied" to any particular carrier. This is one of the strengths of using a Forwarder instead of allowing the Carrier route your cargo. The Carrier will only "sell" the service supplied by his own ships. Your

Forwarder will select a Carrier based upon price, quality of service, availability of space, sailing frequency, and other factors that result in your getting the best service for your freight budget.

The Forwarder( I mean the INDEPENDENT Forwarder) will route your cargo via the best way FOR YOU, not necessarily the Carrier. This is one of the reasons that people use Forwarders. Our loyalty is to our clients, not to any particular Carrier. In addition, since we are routing cargoes for numerous clients, we are in a position to secure bookings, rates, and market information from numerous Carriers that works to your benefit.

Your INDEPENDENT Freight Forwarder serves YOU not a particular shipping company or vessel operator.

In previous articles, we've explained how we consolidate the cargoes of many clients into a sizeable annualized volume that allows us to secure "contract" rates in the world's major trade lanes. Unless you're a "major" shipper, you won't be able to do this but, using an INDEPENDENT Forwarder, the opportunity becomes a reality !

Some Carriers fear INDEPENDENT Freight Forwarders because they feel that we interfere with their sales efforts. I can't deny that this is certainly correct since our goal is not to assist any particular Carrier to fill his ship(s).

Our goal is to secure the best service at the best rate based upon the needs of our client.

The best part is that it doesn't cost any more to use an INDEPENDENT Freight Forwarder ! If you utilize a "House" Forwarder from any of the shipping lines, you will pay the same fees for documentation, insurance, messengers, etc. So, why place all your eggs in one basket when your INDEPENDENT Forwarder can do so much better ??

SEARIDERS , operating under FMC#4567 and with Tariffs and Bonds filed in Washington, D.C. is an INDEPENDENT Freight Forwarder and NVOCC.

additional hurdles that we (Seariders) must handle in order to supply quality service. (We do most of the "hurdle jumping".)

I must say that we have not experienced any significant delays in service from the aircraft operators and expect that this will remain unchanged. The big change is that YOU will now be involved in insuring that safety and security will start at the moment you begin to pack your air shipment.

### **AIR FREIGHT SECURITY PROCEDURES**

It's a whole new world for air freight service companies and also for those who require the services of air freight companies. The watchword now is "Security".

What does that mean to you ?

Well, for one thing if you are not a regular customer of a FAA authorized "Indirect Air Carrier" (IAC) or airline, otherwise known as a "known shipper", you will have problems in shipping your orders by air. A "known shipper" means that you have moved at least 24 shipments with the same company over the last year. If you're a small businessperson who only uses air freight when an order is late, you will probably run into problems, especially if the service you require moves its cargo on passenger aircraft.

Seariders is an FAA approved IAC but, when we have a "new" customer, we have to jump through numerous hoops in order to qualify that company as one we can service. FAA regulations prohibit my discussing the actual "hoops" but suffice it to say that "things have changed".

Yes, we can still handle new customers, just in a different way. Yes, we can still handle old customers but there are now a few

#### **Suggestions:**

- 1. Ask your air freight service supplier if they have an FAA approved security program.
- 2. Confirm that your products are not subject to Hazardous Materials regulations.(Not a problem but a "need to know item")  
If so, talk to your air freight service provider.
- 3. KNOW what you are shipping.
- 4. Air freight forwarders will be conversant with the new regulations and will work with you to make compliance relatively painless. I'd suggest that , if your usual practice is to call around and "shop" for the best rates to save a few pennies, you might consider interviewing a few of your favorite forwarders and choose one. In this way he or she will become familiar with your needs and you can easily qualify as a "Known Shipper".

"The times, they are a-changing"...

## **FOREIGN TRADE ZONES**

All over the world , governments have set up areas where international trade can be done in a more relaxed and minimally-regulated atmosphere. These places, usually called "FREE ZONES", are treated differently than bonded areas, ports and airports.

### **AIR FREIGHT CHARTERS**

This website has been active for over two years but I've never discussed the subject of Air Freight Charters. Sometimes, a charter of your own aircraft is the only way to insure that your cargo arrives on time. You control the departure, the arrival and many times you can arrange to deliver the goods to an airport much closer to the final destination point than the scheduled carriers can provide.

Most people think that a charter, by definition is expensive. Our experience has proven that this is not always true. Recently, we arranged a charter to lift some 10,000 pounds of cargo from South Florida to a Caribbean destination and the total cost was less than \$12,000. This is equal to less than \$1.20 per pound. If a commercial carrier had been utilized, the cost would have approached \$8,000 so what did advantages of the charter really cost ? A difference of less than \$4,000.

So, while a charter may not be for everyone, everyone should be aware that this is certainly a valid option when time constraints or performance promises begin to make you nervous.

Aircraft come in all sizes and colors and, when the aircraft is correctly matched to the cargo and the requirements, costs can be quite reasonable.

Seairiders will handle all the details.

A simple description of a FREE ZONE is a place that is considered "extraterritorial", for Customs purposes only, to the country where it is located. This means that you can do business within this area, buying and selling merchandise, and not be subject to all the import or export restrictions of that country. In effect, the "FREE ZONE", while being closely controlled and administered by the Customs Administration of the country, gives international traders a place where they can buy and sell their products without necessarily being tied to the regulations of the host country (with limitations). This means that one could buy a product produced in country "A", in a FREE ZONE located in country "B", and then re-export that product to country "C" without having to have paid any duties or taxes in country "B".

Sort of like an International Bazaar ???  
Exactly !

International Traders are recently beginning to realize that the United States has actually had FREE ZONES established within its territory since the late 1930's, although the concept really caught on in the last 20 years. Within the U.S., these areas are called "Foreign Trade Zones", ("FTZ") and can be found in or around most major ports and airports. (There are over 200 "FTZ's) in the United States)

Merchandise brought into an "FTZ" can remain in the zone indefinitely and then be re-exported without having to pay U.S.duties. In effect, the merchandise has never entered the United States since the FTZ is considered

"extraterritorial" to the United States (For Customs purposes only).

Merchandise can be re-packed, re-labeled, mixed with other products, assembled, dis-assembled, painted, unpainted or just stored for re-distribution to other countries. Duties (import taxes) are only payable IF the owner decides to bring the merchandise OUT of the FTZ INTO the United States.

One of the major uses of FTZ's in the United States is in the Auto Industry. Utilizing an "inverted tariff" concept wherein the components of a product taking a higher duty rate can be assembled into a final product which qualifies for a lower duty rate upon import into the U.S., manufacturers can source their components on the world markets and minimize duty payment by using the FTZ concept. With Automobiles, which carry a 2.6% duty rate, various components like engines, motors, electronic components, bumpers, etc. that may have a duty of 5% to 10% or higher, can be brought into the factory (which has been qualified as a "special purpose" FTZ), assembled into the final product (a car) that then, brought into the U.S. as a passenger car that qualifies for 2.6% duty.

Alcoholic Beverages can be brought into a U.S FTZ and re-exported to a foreign destination without the user having to have a U.S. license to import Liquor, Wine or Beer. (It never enters the U.S.)

So, when a trader is looking for a tool that can facilitate his business activities and potentially streamline distribution, the consideration of a U.S Foreign Trade Zone should not be omitted.

For specific information on your product, contact Seariders.....

## **IMPORTING GOODS- THE FIRSTTIME**

A new Importer called me today and asked a literal basket-full of questions concerning what she should do since this would be her first importation.

It seems that she had found a very desirable item, purely by accident during her travels, and now was considering buying and importing this item into the United States. She called numerous Freight Forwarders and Customs Brokers but they really didn't have the time to show her what she should do.

Fortunately, I was able to spend a few minutes on the phone and I suggested a simple checklist of things to know, before you call a freight forwarder or Customs Broker.

### **Importer Check-List (simplified);**

**Terms of Sale-** What does the price of the product include, what is not included ? (See Incoterms 2000 on This page) Terms can be negotiated.

How is it packaged ? What does it weigh? What are the dimensions ? How many will fit into each package ? - If you are going to consider freight costs, then you will need dimensions and weights of packages. If you want to calculate costs per item, you will need the piece count per package.

**Method of Payment-** Wire Transfer ? Letter of Credit ? Draft-"At Sight" ? "Trust Me" ?

What are "Country of Origin" Label requirements ? (Get this from the Customs Broker)

Are there **any restrictions to importing** this item ? Special regulations (Food, Drugs, Cosmetics,etc.) ?

Try to know as much about the item as possible. Your Broker or Forwarder needs this information so they can estimate the costs of transportation, documentation and insurance, entry, and duties.

**Don't expect the Broker to make your decisions for you.** If you don't have the time or the inclination to know these simple facts about a product that you are thinking to buying in quantity, I'd suggest that you delay your purchase until you can get serious.

### **ADVANCE MANIFEST REQUIREMENTS**

Much has been said and written about the new U.S. Customs regulations concerning the advance manifest information requirements that **MUST** be provided to U.S. Customs a minimum of 24 hours **BEFORE** loading of cargo on a vessel with cargo bound for any U.S. Port.

This rule is presently in effect and non-compliance could result in your cargo being refused entry into the U.S.. The cargo could even be trans-shipped to a third country if refused entry.

This "24 hour rule" is designed to provide U.S. Customs with sufficient time to identify, target, and pre-screen high risk containers before they arrive in the U.S. This rule affects **ALL** carriers and NVOCC's and the **MANDATORY INFORMATION INCLUDES:**

Shipper and Consignee's complete name and address. (Individuals or businesses acting as intermediaries [for example, Consolidators, NVOCCs, Moving and Storage Companies, Freight Forwarders or Brokers] are **NOT** recognized by U.S. Customs as Shipper/Consignee.

Precise description of the commodity being shipped, with specific weight, piece count, and package type.

Container Number and Seal number , if applicable.

Hazardous Materials Code, if applicable.

THE GOOD NEWS is that SEARIDERS is an AMS (Automated Manifest System) qualified NVOCC and can supply U.S. Customs with this required information electronically !

This means that, if you are using Seariders' services to bring your merchandise into the U.S., the Seariders agent at origin point can provide us what we need to comply with U.S. Customs regulations while keeping most of the information on your shipments relatively confidential. (The alternative is giving all this information to the vessel operator, even if you are using a Forwarder or NVOCC to move your product to market.)

Seariders was one of the first companies approved. This is just another indication of our continuing efforts to facilitate the movement of your cargo.

## **INCOTERMS (simplified)**

### CFR

COST AND FREIGHT (Named port of Destination): maritime and inland waterway only; seller delivers when the goods pass the ship's rail at the port of export. The seller pays cost and freight for bringing the goods to the foreign port and clears the goods for export

### CIF

COST, INSURANCE, AND FREIGHT (Named port of destination): Maritime and inland waterway only; seller delivers when the goods pass the ship's rail at the port of export. The seller pays cost and freight for bringing the goods to the foreign port, obtains insurance against the buyer's risk of loss or damage, and clears the goods for export.

### CPT

CARRIAGE PAID TO (Named place of destination): any mode of transport; seller delivers goods to carrier it nominates and pays costs of bringing goods to named destination. The seller also clears goods for export.

### DAF

DELIVERED AT FRONTIER (Named place): any mode of transport to a land frontier; seller delivers when goods are placed at the buyer's disposal on the "arriving means of transport" (not unloaded), cleared for export but not cleared for import before the customs border of the destination country.

### DDP

DELIVERED DUTY PAID (Named place of destination): any mode of transport; seller delivers goods to the buyer, cleared for import (including import license, duties, and taxes) but not unloaded from the means of transport.

### DDU

DELIVERED DUTY UNPAID (Named place of destination); Any mode of transport; seller

delivers the goods to the buyer not cleared for import and not unloaded from the arriving means of transport at the named destination, but the buyer is responsible for all import clearance formalities and costs.

### DEQ

DELIVERED EX QUAY (Named port of destination): maritime and inland waterway only; seller delivers when the goods are placed at the buyer's disposal, not cleared for import, on the dock (quay), at the named port of destination. The seller pays discharging costs, but the buyer pays for import clearance.

### DES

DELIVERED EX SHIP (Named port of destination): maritime and inland waterway only; seller delivers when goods are at the buyer's disposal on board the ship not cleared for import. The buyer pays discharging costs.

### EXW

EX WORKS (Named Place): Any mode of transport; seller makes goods available to buyer at seller's premises or other location, not cleared for export and not loaded on a vehicle. The buyer bears all risks and costs involved in taking the goods from the seller's premises and thereafter.

### FAS

FREE ALONGSIDE SHIP (Named Port of Shipment): Maritime and inland waterway only; seller delivers when the goods are placed alongside the vessel at the named port of shipment. The seller also clears the goods for export.

### FCA

FREE CARRIER (Named Place): any mode of transport; seller delivers goods, cleared for export, to the carrier named by the buyer at the specified place. If delivery occurs at the seller's premises, the seller is responsible for loading; if delivery occurs elsewhere, the seller must load the conveyance but is not responsible for unloading.

### FOB

FREE ON BOARD (Named Port of Shipment): Maritime and inland waterway only; seller delivers when the goods pass the ship's rail at the named port. The seller clears the goods for export.

Of course, the “INCOTERMS” can be made as complicated as one desires. These simplified explanations serve to give you what you need to move forward.

*COPYRIGHT 2004 A.J.Redlhammer*



***NOTES ON HOW TO  
“DELIVER THE GOODS”  
ONCE YOU’VE MADE A  
SALE OVERSEAS***

**A compendium of articles by an International  
Freight Forwarder and Customs Broker that will  
make delivery “after the sale” easier.....**

COPYRIGHT 2004-2005

Albert J. Redhammer

All Rights Reserved