



## IN THIS ISSUE

- **Ocean Carrier Reliability**
- **Airforwarders Face Heightened Security Role**
- **Trade Gap Grows**
- **U.S. Logistics Costs Surge 15.2% in 2005**
- **No Peak Season West Coast Congestion This Year?**
- **“Door to Door” Domestic Terminology that is internationally vague**

## CONTACT US

840 Tollgate Road • Elgin, IL 60123  
Phone: 800-327-6392  
Fax: 847-760-0005  
www.bdginternational.com

### E-MAIL ADDRESSES:

import@bdginternational.com  
airfreight@bdginternational.com  
ocean@bdginternational.com  
domestic@bdginternational.com

### Ocean Carrier Reliability

It has been clear for a number of years that carrier reliability and performance has worsened.

Many lines have moved the work from traditional port-related offices to regionalized, centralized or out-sourced locations. This has required the development and implementation of systems to keep up with the changing environment well after it actually occurs. The carriers have traded experience and knowledge for lower costs.

London based Drewry Shipping Consultants published a report in May pointing out the extreme unreliability of container carrier schedules. The report stated ships are on time only 57 percent of the time, and that of the 63 carriers monitored, only 16 have an on time record of 60 percent or better. Looked at another way, 75 percent of the carriers are late at least 40 percent of the time. Only three carriers are on time at least 80 percent of the time. The range in performance was 0 percent to 91 percent on time.

These statistics underscore the need for shippers to provide clients with a greater margin of error when it comes to providing delivery dates.

### Air forwarders Face Heightened Security Role

Months after the 9/11 attacks, Congress enacted the Aviation & Transportation Security Act (ATSA).

Now a new Rule directly impacting U.S. airfreight forwarders under ATSA is expected in final form by Aug. 1, 2006.

Under the new rule, air forwarders will provide information to the TSA in the form of Security Threat Assessments (STA's) on employed individuals as well as cartage agents who have access to cargo. Indirect Air Carriers will not conduct the background check, but will submit all TSA required information to the TSA electronically so that TSA may conduct the check,

as it has better access to greater databases. TSA projects a 10 day window for approval or denial.

TSA will also issue a new statement of "No Security Threat" concerning airport grounds. The new rule will extend Security Identification Display Areas (SIDA's) to where cargo is loaded, unloaded, sorted, staged or stored and includes cargo facilities loading/unloading docks & any area where airport operators load or unload freight. Companies performing these services are required to supply to TSA information relative to all persons having access for purposes of a Criminal History Records Checks (CHRS). Again, these background checks will not be performed by the airforwarder itself. The information will be supplied to TSA so that TSA will conduct the check. CHRC information will also be required of airport personnel who are screeners of freight. The New Rule also expands the "Known Shipper Rule" by condensing some 40,000 individual known shipper lists into the TSA database. Required information by TSA will be submitted to TSA electronically where TSA will "vet" and continually monitor & update the know shipper list. Shippers under the new rule will be required to give written consent to inspection & screening of their cargoes. Exceptions will exist for certain commodities such as jewelry, currency, and drugs which cargoes are sealed and create high exposure to damage or loss if screened.

### **Trade Gap Grows**

U.S. trade deficit rose by 0.8% in May from a month earlier to US\$63.8Bn, the Commerce Dept. said. The growth was less than the US\$64.9Bn economists had forecast, Bloomberg reported. Imports rose 1.8% to a record US\$182.5Bn, led by petroleum, raw materials & business equipment. The U.S. trade gap with China also widened and China's trade surplus rose to a record US\$14.5 Bn as that country's exports rose 23% from a year earlier, Bloomberg reported.

### **U.S. Logistics Costs Surge 15.2% in 2005**

Fueled by rising energy costs, interest rates, and security-related issues, the 17th Annual State of Logistics Report sponsored by the Council of Supply Chain Management Professionals (CSCMP) shows an increase of US\$156Bn over 2004. The increase is nearly double last year's rise and the largest year-to-year change in over 30 years. "2005 U.S. business logistics costs rose from 8.8% to 9.5% of Gross Domestic Product (GDP)," said Rick Blasgen, President of CSCMP. "Transportation costs, driven mainly by the increased demand in trucking, coupled with tight capacity, jumped 14.1% over 2004," he added. This is causing some companies to rethink their lean inventory strategies.

### **No Peak Season West Coast Congestion This Year?**

Although record cargo levels are expected at major U.S. based retail ports for the rest of this summer and into the fall, it will not result in congestion problems, which have previously hindered port operations, according to the recently-released July Port Tracker report by the National Retail Federation, a retail trade association, and Global Insight, a provider of financial information. The U.S. based ports surveyed in the report, including Los Angeles/Long Beach, Oakland, Tacoma, Seattle, New York/New Jersey, Hampton Roads, Charleston & Savannah, handled a cumulative 1.34 million Twenty-foot Equivalents (TEUs) of container traffic in May, most recent month for which data is available. May's total slightly edges out the 1.32 million TEUs handled by the surveyed ports in April, and is 9% more than May 2005. The report added that this year's numbers-to date-are already higher than the peak figures for all of 2005. And the records that were set last year will likely be broken, without significant West Coast congestion, said Global Insight. To finish a season without West Coast chaos will be a blessing.

“Door to Door” Domestic Terminolgy that is internationally vague.

In domestic shipping “Door to Door” is a well understood and commonly used term of sale. However in international business “Door to Door” is vague, it provides no real answers but creates many questions.

Internationally there are 2 primary door delivery terms. DDP (Door Delivery Duty Paid) and DDU (Door Delivery Duty Unpaid). Even with these two terms there are still confusions. These two terms fall into a class of 13 international sales terms called Inco Terms.

DDU typically only refers to the inland delivery costs but excludes customs clearance, duties and taxes. In many cases you may prefer to ship to a client DDU + Clearance. In this case customs clearance, inland delivery and terminal charges are included.

DDP has variations as well. DDU + VAT (Value Added Tax) or Excluding VAT.

When using Inco Terms we recommend learning the definitions by visiting the ICC (International Chamber of Commerece) website at <http://www.iccwbo.org/incoterms/preambles.asp>