



## **INTERNATIONAL TRADE NEWSLETTER**

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### **Ocean Freight Rates On the Rise!**

Over the last 8 months the carriers have been working at reducing capacity in all markets globally. The efforts have been dramatic. The carriers are now in a position where they are beginning to exert upward pressure on freight rates. This is a typical move, the market will ultimately decide if it can bear the additional cost. Rates as they currently stand are not financially sufficient for most carriers to remain in business over the longer term. If rates remain at current levels we will ultimately see fewer carriers and less competition in the future. Maersk Lines reported a First quarter loss of 900 million dollars and second quarter loss of 400 million dollars. Clearly these losses cannot be sustained.

BDG will be providing clients with updated pricing as we learn of it. Below are some recent announcements we have received that will give an idea of how the ocean carriers are responding with pricing increases.

- [Trans-Pacific Spot Rate Jumps 57 Percent](#)

The index of average spot prices for shipping a 40-foot container from Hong Kong to Los Angeles jumped by 57.4 percent in the week ended Aug. 9, signaling that freight rates on the trans-Pacific are on the rise.

- [NYK Raises Trans-Atlantic Rates](#)

NYK Line will implement a general rate increase for all dry and refrigerated containers to and from U.S. and Canadian ports to all port in Northern Europe as of Sept. 14.

- [Transpacific Announcement PSS](#)

**EASTBOUND TRADE** North Asia and Southeast Asia to the United States September 7, 2009, (cargo receipt date at

origin) on all dry, reefer, flat rack and open-top containers from North and South East Asia to the United States as follows:

USD \$320 per 20' standard container, open top and reefer

USD \$400 per 40' standard container, open top and reefer

USD \$450 per 40' high cube and high cube reefer

USD \$510 per 45' container

- CMA/MSK/Maersk Announce Capacity Reduction

Please note following news article on MSK / CMA / MSC rationalizing their W/C services, resulting in removal of approx 8,800TEU space per week Effective mid September.

- Hapag & NYK GRI Announcement

Please be advised that GRI for USA has been postponed by both Hapag & NYK to 24th Aug'2009. We shall keep you informed if there is any change.

UASC has not advised any GRI for USA (out of West & North India). Their BAF quantum for Aug is \$184/276/276 per 20'/40'/40'hc (Jul'09 Baf was - \$156/234/234).

## TSA Cargo Screening Update

### Background

The *Implementing Recommendations of the 9/11 Commission Act of 2007* legislation mandates 50% screening of cargo that is transported by a passenger carrier by February 2009 and 100% screening of cargo that is transported by a passenger carrier by August 2010. TSA is required to establish a system to ensure 100% of cargo transported on passenger aircraft is screened at a level of security *commensurate* to that of passenger baggage. *This requires screening at the piece level.* Because this screening requirement is not supplemented by congressional funding, it is the air cargo industry's responsibility to bear all costs.

Piece level cargo is the individual item within a shipment. Shipments tendered on skids and shrink-wrapped (typically transported on wide-body aircraft) must be taken apart so pieces can be screened. Most wide-body cargo flows through freight forwarders (consolidators), who typically "containerize/palletize" this cargo prior to tendering it to airlines. Airlines lack space/facilities to "de-palletize", screen, and re-configure these shipments, so if "airlines only" must screen all such cargo, they anticipate significant delays, increased processing/cut-off times and costs. Airlines and groups such as the Air Transport Association, and Air Forwarders Association continue to confirm this concern

### Certified Cargo Screening Program (CCSP)

TSA's approach to assist industry in attaining the screening mandates is the Certified Cargo Screening Program (CCSP). The CCSP was created to: allow screening of cargo early in the air cargo supply chain by a trusted, vetted, and audited facility; initiate and maintain the integrity of a shipment throughout the supply chain by utilizing stringent chain of custody methods; and enable entities such as shippers to incorporate physical screening into the packing process.

### Who Can Become a Certified Cargo Screening Facility (CCSF?)

Facilities that volunteer to participate in the CCSP program will be able to tender cargo directly to a passenger air carrier or freight forwarder. This includes: Manufacturers, Warehouses, Distribution Centers, Third Party Logistics Providers, and other similar facilities.

### Industry Challenges for 100%

As of February 1, 2009, 50% of all cargo is screened at the piece level prior to being loaded on a passenger aircraft.

**It may appear to shippers that the 50% mandate was met without significant challenges, but TSA believes they should consider the following issues:**

- The economic downturn caused a 35% drop in the movement of cargo compared with 2007.
- Airlines still lack space/facilities to "de-palletize", screen, and re-configure large shipments.
- Some commodities were screened by an alternate means for a limited time frame (until August 31st, 2009).

o 85% of current screening entities (airlines and CCSF freight forwarders) utilize ETD as their primary method of screening. Alarm resolution for ETD (other than physical search) is challenging. **There is a high risk of a physical inspection (opening boxes and removing content) resolution as a result of "contamination" while shipments are in forwarder or airline vehicles/docks**

o Overall, airlines would not have attained the required percentage without the screening percentages contributed by CCSP freight forwarders, who also use ETD as primary method of screening.

As a result, TSA is concerned that shippers may wait until it is too late to surmount the challenges of August 2010, when 100% of all pieces must be screened individually. We have already seen a decline in applications for the CCSP, and believe shippers should consider these facts:

- o Screening the difficult, complex, skidded cargo still lies ahead
  - Most shipments screened today are not skidded/move on narrow body aircraft
- o Economic recovery will lead to increased cargo volume
  - Screening 100% of 15 million pounds per day in August 2010 vs. screening 50% of 9 million pounds per day now represents a **300% increase in cargo requiring screening** (return to 2007)
- o Possible insufficient availability of screening technology (backlogs) for forwarders and airlines
- o High risk of airlines/forwarders opening shipments to resolve "contamination" alarms If too many shippers wait until the "last minute" to recognize challenges and apply for CCSP, TSA may not have resources to certify them in time for the August 2010 mandate.

### **TSA is providing an incentive for shippers to join CCSP now!**

Shippers who apply and commit prior to September 2009, will be entitled to additional benefits.

### **Additional Information**

For additional information or questions, shippers should

visit our website at:

[http://www.tsa.gov/what\\_we\\_do/tsnm/air\\_cargo/index.shtm](http://www.tsa.gov/what_we_do/tsnm/air_cargo/index.shtm)  
or to request an application, email [ccsp@dhs.gov](mailto:ccsp@dhs.gov).

### **SNAP –R (Simplified Network Application Process – Redesign) ECCN Application Process**

Did you know about SNAP-R? The Department of Commerce has an automated version to apply for your ECCN (Export Commerce Control Number). All exporters need to log on and request an account. It will take about 10 days to receive back an account number.

Once you have an account you can request an ECCN number per commodity. You should do this for ALL commodities even if you do not export. Why?? First, you may export the commodity in the future, and to obtain an ECCN number may take weeks. Second, if you sell the commodity within the USA and your customer sells the commodity outside of the USA - it was your responsibility to inform them if the product is controlled. Last, the Department of Commerce is just around the corner - they are visiting exporters / USPP (US Principal Party of Interest) and informing them of the regulations. The Department of Commerce has now entered Enforced Compliance and some of the big names in exporting have received big fines. The sooner you obtain your ECCN number the better.

Once you have an ECCN number you then should have this listed on your commercial invoice. The ECCN number can be listed on all commercial invoices for international and domestic sale. The ECCN number should also be placed on your S.L.I. (shipper letter of instructions). The forwarder completing your AES (Automated Export System) transmission should then report the ECCN number on each transmission per commodity. If there is not an ECCN number then you can with confidence report the generic ECCN number that covers general goods.

<http://www.bis.doc.gov/snap/index.htm>

- Is your commodity controlled? Do you have something in writing from the Federal Government? If you do not have a final decision from the Federal Government you really do not know.

- We have been using EAR99 and never had a problem.

This is because they were not enforcing the program. They are now. So do not assume that your product does not need one.

If you have any questions please contact Lisa Victoria Waller at BDG International, Inc. 847-760-0014

**ANTI DIVERSION CLAUSE:**

It is recommended to place the anti-diversion clause on your commercial invoice in order to show your due diligence to inform your clients of federal export control laws.

"These commodities, technology or software were exported (or may be exported) from the U.S. in accordance with the Export Administration Regulations. Diversion contrary to U.S. law prohibited.

for more information visit:

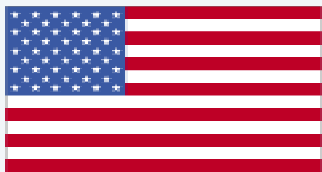
<http://www.gpo.gov/bis/ear/pdf/758.pdf>

**BDG Team News**

In August of 2008 we were told by a valued team member that he would be leaving for one year to serve in Afghanistan. Rene Martinez, Ocean Export Lead Agent, left in early August of 2008 to serve our country. Rene returned to his family only a few weeks ago. We were excited to learn he was safe and would be returning to work. We are sad to learn that his entire unit did not make it back. We send our deepest sympathies to their families.

We want to take this opportunity to thank Rene Martinez for his courage and sacrifice.

Welcome Back Rene!



**Project Cargo Shipment Photos**



Shanghai via New York to Illinois



UK to Illinois



Illinois to Shanghai

**Don't forget to insure your cargo.**

