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Chapter 1

Overview of Pet Products in Export Sales and Global Sourcing to Foreign Markets: Basic Business Model & Operating Considerations

Export Sales

Selling into foreign markets presents a lucrative opportunity for companies to increase their overall business development and diversify sales strategy.

Factors Supporting These Opportunities Include:

Faced with stiff competition and thin margins in the U.S., pet product companies can create an international business that has the potential to account for 15 percent of annual revenue and up to 40 percent of annual sales in new markets where U.S.-made products are in demand. The U.S. currently exports about $15 billion annually in pet and related products.

U.S. manufacturers and distributors have advantages in foreign markets sales where U.S. pet products:

- Are considered prestigious by international consumers
- Are not available from other sources
- Offer better quality control standards
- Provide better customer service
- Have a more competitive supply chain
- Provide creative approaches to marketing and business development strategies
- Provide sustainable business strategies for long-term business development
- Provide competitive payment terms

Among the opportunities for exporting pet products are:

- High end animal feed
- Containment and security devices
- Grooming supplies
- Animal pharmaceuticals and supplements
- Specialized habitats
- Bedding and carry products
Among the best opportunities available for exporting pet products:

- **95% of the consumer market is outside the United States**
  
The U.S. only accounts for about five percent of global pet product sales, creating a major opportunity for selling products overseas. And while Asia, Europe and Latin America are the leading regions for exporting products, many pet products companies also have secured business in the Middle East, Africa, the Caribbean and other locations.

- **85% of the commercial market is outside the United States**
  
  While consumers represent 95% of the international market, from a commercial perspective this amount drops to about 85% depending upon the region.

  In Europe, pets are as an important social icon as they are in the U.S.

  In other markets like Asia, and more specifically China, having pets is a prestigious Western approach to socialization and stature.

  Numerous market studies have shown that as developing and third world countries see a rising middle class, the ownership and hobbies associated with pets grows in a similar fashion.

- **Among the most lucrative markets for U.S.-produced goods are those closest to the U.S. borders.**
  
  Mexico and Canada are among the largest U.S. trading partners in representing $100 million in annual sales. That figure is likely to increase with a renegotiation of the NAFTA agreement that favored pet products by easing the entry of U.S. manufactured and sourced products in Mexico and Canada.

American based companies sell pet products in more than 100 countries, led by Canada, Great Britain, France, Germany, Benelux (Belgium, Netherlands, Luxembourg) and Japan. Many of these sales are through distributors, but a growing number of products are sold directly to consumers via ecommerce. This is discussed in greater detail in Chapter 3.
Export 101: The Export Business Model

Companies considering with international markets in mind:
1. Strategy and the viability of marketing
2. Creating a model for operations
3. Determining the correct Incoterm
4. Arranging logistics
5. Insuring payment
6. Export regulations and trade compliance
7. Handling warranty and return programs
8. Managing customer service demands

The marketing approach is covered throughout the following pages.

It is imperative to recognize that while exporting can be a very lucrative means for increasing sales, its inherent risks and challenges, when not handled properly, can lead to difficulty and financial loss.

Advantages for U.S. Exporters:

- Reliability
- Prestige
- Quality
- Diversity
- Accessibility
- Infrastructure
Preparing to Export

In considering whether to export products, it must be recognized that many countries have their own regulations that need to be followed so goods can enter those markets.

This requires having an understanding of the importation regulations so that a shipment can be prepared in advance of being delivered to a foreign customer.

In preparing for shipment, products may need to be modified to meet geographic and climate conditions, buyer preferences, standards of living, government regulations, or religious practices. Packages also need to be designed to meet consumer preferences in individual markets. For example, Japanese consumers tend to prefer certain kinds of packaging, leading many U.S. companies to redesign cartons and packages destined for that country.

The decision to modify a product to meet local consumer demands depends on how committed a company is to a given market and whether potential sales outweigh the costs of making the changes. A firm with short-term goals will likely have a different perspective than one with long-term goals.

In addition to deciding whether to redesign a product, companies also must take foreign government regulations into account, including covering tariffs and products specifications.

The governments typically impose the regulations to:

- Protect domestic industries from foreign competition.
- Protect the health and safety of their citizens.
- Require importers to comply with environmental controls.
- Ensure that importers meet requirements for electrical or measurement systems.
- Restrict the flow of goods originating in, or having components from, certain countries.
- Protect citizens from cultural influences that the country considers inappropriate.

Export Business Requirements

Import Regulations Impacting U.S. Pet Product Exports:

Any pet products sold in the United States, such as medicines, supplements, grooming items, or electric fencing, which are governed by federal and state regulations, will likely face the same scrutiny in foreign countries.

Foreign Standards & Certification

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries.
One beneficial resource is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets. tsapps.nist.gov

**Agriculture-Specific Requirements and Certifications**

**European CE Marking Guidance**

Approval by Certification Experts (CE) is required for most manufactured goods marketed in the European Economic Area (EEA).

**Countries That Require CE Marking**

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A supplier that has received CE approval can affix CE marks to a product, making it eligible for sale throughout the European Economic Area. CE marking is available in 32 countries with a combined population of nearly 500 million.

Yet while the CE mark is available in many countries, there isn’t a comprehensive list of products that require it, leaving it up to the manufacturer to determine whether certification is needed. To determine if a product needs to carry the CE mark, companies can check the “New Approach Directives”—documents containing legislation issued by the European Commission that governs the requirements and procedures.

In order to determine if a product needs a CE marking, companies should review each directive by consulting the CE Marking Guide. Under each directive, we explain the step-by-step path to obtaining CE marking certification.

Some products require compliance with more than one directive. For example, the Safety of Machinery, Electromagnetic Compatibility (EMC), and the Low Voltage Equipment directives may all apply to one product.

Many of the CE marking directives allow manufacturers to self-certify their products. If a firm is permitted to self-certify a product, they may need to order the standards that apply to the item, especially in the case of the Low Voltage and EMC Directives.

Some examples for which manufacturers can self-certify include:
Safety of Machinery Directive
Electromagnetic Compatibility (EMC) Directive
Low Voltage Directive
Class I products of the Medical Device Directive
Most products covered by the Radio and Telecommunications Terminal Equipment (R&TTE) Directive

But there are some directives that don’t allow manufacturers to self-certify their products:

Simple Pressure Vessels Directive
Appliances Burning Gaseous Fuels Directive
Most products covered by the Pressure Equipment Directive
Most products covered by the Equipment and Protective Systems in Potentially Explosive Atmospheres Directive

If a company can’t self-certify a product for CE marking, a testing firm affiliated with a “European Notified Body” must be hired to complete the process. There are U.S. labs that work for European organizations and are qualified to do the testing and certifying. We have provided a list of labs, including those affiliated with notified bodies. Also included are labs that are not authorized with a notified body, but that can test whether a product covered by a non-regulated directive (such as the EMC or Low Voltage Directives), has met a European standard: Testing/Certifying Labs.

Once a manufacturer has complied with the applicable directives, whether through self-certification or approval by a notified body and gained lab certification, the CE marking must be affixed to the product. The manufacturer must also include a “declaration of conformity” with each shipment stating which CE marking directive(s) have been met. It also must include the signature of a company official documenting responsibility for the CE marking compliance claim. We have provided an example of a declaration of conformity: Declaration of Conformity.

The exporter must maintain a technical file containing paperwork documenting products covered conform with CE marking directives. The exporter or authorized representative must be able to provide, if requested by state authorities, the supporting documents that validate the CE marking.

Finally, it is the manufacturer/exporter’s responsibility to regularly check for and comply with any changes in standards that might affect a product. Therefore, it is important to periodically check the EU website http://www.newapproach.org that lists the CE marking directives and standards.

For additional information on the CE marking process, see the National Institute of Standards and Technology (NIST) publication “To U.S. Manufacturers: Alert CE Product Mark Required for U.S. Exports to Europe.”

New Approach To Product Certification:

The European Union (EU) developed “New Approach” Directives to streamline product approvals for a broad range of goods to ease trade within the EU. The “Old Approach” Directives contained a great deal of technical detail. EU member states introduced national standards or regulations at a faster pace than the European Commission could finalize them, often resulting in trade barriers. The result was the “Old Approach” contained technical details for minimum requirements that weren’t always included in the directive itself.

New Approach Directives, which are more general, are limited to health and safety requirements for machinery, electrical products and medical devices. They do not cover
products such as motor vehicles, cosmetics and chemicals, which will continue to fall under the Old Approach Directives.

Technical details outlining the minimum health and safety requirements fall under three groups:

- Manufacturers who self-certify products by, in some cases, using appropriate European standards
- The three regional European standards organizations (CEN, CENELEC and ETSI), which now develop Europe-wide standards covering product categories that fall under the New Approach Directives
- Government-appointed product certification organizations, which provide testing and product approvals.

Under the New Approach, the European Commission gives mandates to the European standards organizations to develop technical standards that meet the essential health and safety requirements of CE Marking directives. The New Approach Directives are designed to facilitate product certification, maintain consumer and workplace safety, and expand intra-European trade.

**China Compulsory Certification (CCC Mark)**

CCC marking and certification are required on many manufactured goods marketed in China.

**ISO Standards**

The International Organization for Standardization, widely known as ISO, is an international standard-setting body composed of representatives from various national standards organizations.

**Packaging and Recycling Laws**

Many countries have passed packaging and recycling laws that affect U.S. exporters. Please refer to the DOC Country Commercial Guides’ labeling and marking section for more information. U.S. exporters need to ensure that their packaging materials are compliant with their importer’s domestic regulations. ([DOC.gov](https://wwwDOC.gov))

**Onerous or Discriminatory Certifications, Standards and Regulations**

Where onerous or discriminatory barriers are imposed by a foreign government, a U.S. company may be able to get help from the U.S. government to press for their removal. In these cases, the exporter should contact the U.S. Trade Representative (USTR) in Washington, DC at 202-395-3000.
Foreign Distributors: Export Partner

A good strategy for entering any foreign market involves using local agents and distributors. The following guidelines should be used in evaluating potential business partners in foreign markets:

**Size of Sales Force**

- Quality and experience of their existing sales team.
- What is the size of the representative’s or distributor’s field sales force?
- What are the short- and long-range expansion plans, if any?
- Would the sales team need to expand to accommodate an increase in business and would it be willing to do so?
- How does the sales team manage and train their sales staff?

**Sales Record**

- Has the distributor’s sales growth been consistent? If not, why not, and try to determine the distributor’s sales volume for the past five years.
- What is the average sales volume per outside salesperson?
- What are its sales objectives for next year and were they established?
- How do the distributor’s sales align with your product mix and your domestic strategy?

**Territorial Analysis**

- Does the distributor’s territory cover their entire country or region, or are there specific limitations?
- What sales territory does it now cover?
- Is the territory consistent with the coverage you desire and, if not, is the distributor willing and able to expand?
- Does it have any branch offices in the territory?
- If so, are they located where your sales prospects are greatest?
- Does it have any plans to open additional offices?

**Product Mix**

- How many product lines does the distributor represent?
- Are these product lines compatible with yours?
- Would there be any conflict of interest?
- Does it represent any other U.S. firms? If so, which ones? (names and addresses)
- If necessary, would the sales rep or distributor be willing to alter the present product mix to accommodate yours?
- What would be the minimum sales volume needed to justify its handling your lines? Do its sales projections reflect this minimum figure? From what you know of the territory and the prospective representative or distributor, is the projection realistic?
**Facilities and Equipment**

- Does it have adequate warehouse facilities?
- Do they have a “last mile” delivery capability either directly or through third parties and are these costs competitive?
- What is the method of stock control?
- Does it use computers? Are they compatible with yours?
- What communications equipment does it have (high-speed Internet, smartphone, fax, modem, telex, etc.)?
- If your product requires servicing, is the sales representative or distributor equipped and qualified to do so? If not, is it willing to acquire the needed equipment and arrange for necessary training? To what extent will you have to share the training cost?
- If necessary, is it willing to inventory repair parts and replacement items?

**Marketing and Promotional Policies**

- What is their current “outreach” methods?
- How do they utilize social media?
- How is the sales staff paid?
- Does it have special incentive or motivation programs?
- Does it use product managers to coordinate sales efforts for specific product lines?
- How does it monitor sales performance?
- How does it train sales staff?
- Would it pay or share expenses for its sales personnel to attend factory-sponsored seminars?
- Can it help you compile market research data that can be used to make forecasts?
- What media does it use, if any, to promote sales?
- How much of the budget is allocated to advertising? How is it distributed among various principals?
- Will you be expected to contribute funds for promotional purposes?
- How will the amount be determined?
- If it uses direct mail, how many prospects are on the mailing list?
- What type of brochure does it use to describe the company and the products that it represents?
- If necessary, can it translate your advertising copy?
- Are language and cultural differences being managed?
**Customer Profile**

- What kinds of customers is it currently contacting?
- Are its interests compatible with your product line?
- Who are the key accounts?
- What percentage of the total gross receipts do these key accounts represent?
- Will sales through the representative or distribution conflict with any existing customers?

**Principals Represented**

- How many companies is it currently representing?
- Would you be its primary supplier?
- If not, what percentage of total sales would you represent? How does this percentage compare with other suppliers?

**Promotional Thrust**

- Can it help you compile market data for making forecasts?
- How much of the budget is allocated to advertising? How is it distributed among various principals?
- Will you be expected to contribute funds for promotional purposes?
- How will the amount be determined?
- If it uses direct mail, how many prospects are on the mailing list?
- What type of brochure does it use to describe the company and the products that it represents?
- If necessary, can it translate your advertising copy?
**Packing, Marking and Labeling Considerations**

Every country has its own guidelines for how goods entering it should be packed, marked and labeled. Adhering to these regulations is important so they can be successfully imported into that country.

*Export.gov* is an excellent resource. For example, Export.gov contains country-specific information such as that which is included for Argentina:

**Argentina - Labeling/Marking Requirements**

View of the different labeling and marking requirements, including any restrictive advertising or labeling practices and where to get more information.

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**Last Published: 4/17/2016**

Under Argentine law 22,802/83, the Bureau of Trade Regulation (*Dirección de Lealtad Comercial*) of the Ministry of Economy’s Secretariat of Industry, establishes labeling requirements for products in Argentina. The law requires that product labels have all the information needed by a consumer and that it be true and valid. The Secretariat of Industry in the Ministry of Economy ensures transparency in all business deals and enforces the labeling requirements.

Law 22,802 of 1983, known as the Merchandise Marking Act, supersedes Law 11,275 of 1923. The current law states the general and basic labeling requirements for domestic or imported products, as follows:

**Article 1:** All packaged products sold in Argentina will have the following information visible on the label:

- a) Name (description of product)
- b) Country of origin
- c) Quality, purity, or blending description
- d) Net weight

All non-packaged products produced in the country will have to comply with requirements a), b) and c), as stated above.

For further inquiries, please contact:
In some cases, the government regulators for each industry provide the information for labeling requirements. For example, for information on labeling requirements for medical industry, hygiene and food products, the ANMAT (the equivalent of the U.S. Food and Drug Administration and the regulatory organization of the Ministry of Health) provides information in addition to the general rules for specific products.

Phone: (54-11) 4340-0800

Argentina has adopted the United Nations recommendations for the labeling and packaging of hazardous materials. For more information please refer to the International Maritime Dangerous Goods Code (IMDG Code)

The U.S. Department of Commerce provides details on labeling and packaging requirements for many countries, but companies should check with each foreign buyer and their import agent to make sure it is up to date.
**Additional packing, marking and labeling recommendations:**

1. In addition to regulatory concerns, products must be packaged to withstand the rigors of transportation unique to each supply chain. This may require the use of upgraded packing materials or handling systems.

2. The method of transportation also will guide how freight is packaged.

3. The choice of packing materials also will be based on experience.

4. Labeling must be specific, clear and on multiple sides of any package moving through international borders.

5. Freight forwarders and carriers can provide guidance on packing, marking and labeling decisions.
Chapter 2

Export Customer Service

10 Steps to Creating a Robust Export Customer Service Capability

A robust customer service program has ten important characteristics:

1. It respects the customer’s country and culture.
2. It reflects economic factors in a given country.
3. It makes it easy for the customer to do business.
4. It has easy payment terms.
5. It ensures that availability is based on the relevant country’s time zone.
6. It promotes the development of strong relationships.
7. It has a robust “warranty” program.
8. It provides effective Incoterms guidance for terms of sale.
9. It creates responsible documentation.
10. It includes successful logistics.

Respect the Customer’s Country and Culture

It is extremely important to avoid any appearance of an arrogant or condescending attitude.

As with domestic clients, overseas clients can present numerous challenges. It is the successful customer service program that can meet these challenges.

While the client may not always be right, he or she must never feel resentful or backed into a corner in a way that may jeopardize your working relationship.

The keys to working with customers around the world is to:

- Show respect by learning important basics of their history such as the country’s culture and traditions.
- Learn basic language. This should include at a minimum the ability to say “hello,” “thank you,” “good-bye” and other rudimentary local language.
- Learn how their culture does business. While it may be different from American norms, it is essential to understand each locality’s business culture and how to successfully navigate it.

Understand the economic factors in your customer’s country

Economic factors in a particular country will weigh heavily on your overall success in export sales, customer service and business development in that country.

Concerns:

- Stability of the economy to impact favorable growth
- Currency inconvertibility risks with respect to the foreign exchange
- Rates of exchange
- Likelihood of protracted default or bankruptcy caused by their overall economy
- How your product or services will be represented in that country, particularly when selling through an agent or distributor

The economic cycles of the world continually turn in many directions, but they all have a major impact on export sales. This makes customer service a key ingredient of business success.

When economies are struggling and the potential for increased sales is diminished, it makes competition stiff. It is those sellers with robust and competitive customer service capabilities that will have the best opportunity to maintain existing clients and grow whenever that potential is available.

Having an economic understanding and economic forecasting with respect to the countries and regions you do business in is a good investment. This provides information flow, so decisions and reactions are proactive and not just reactive.

**Make it easy for your customer to do business with you**

Consulting organizations surveys on customer service management routinely identify the “ease of doing business” as a major factor in vendor/supplier choices.

This is a definite “truism” in both domestic and international business.
The following are questions designed to use in assessing the ease of doing business:

### Customer Service Questions to Determine How Easy Is It to Do Business with Your Organization

1. Do you survey your customers on how they feel about doing business with your company?
2. If yes, do you ask that question specifically?
3. Do you operate within the hours that your clients operate in? Is the customer service availability based on the clients’ time zone?
4. Do you have a successful policy for dealing with warranty, repair and return issues?
5. How do you benchmark the rate of service and repair issues against other companies in your vertical?
6. Are there consistent problems that arise and cause staff serious or frustrating issues? Is there a set of procedures for handling/solving these problems?
7. Are customers complaining? How do you resolve complaints?
8. Is there a decline in customer orders?

Any red flags raised by the foregoing require:

- Review
- Analysis
- Mitigation
- Resolve
- Follow Up

This analysis should ultimately lead to corrective action. Most responsible customers understand problems will occur. It is how you mitigate the issues, resolve the problem and communicate all of this internally, and to the customer, which is the “true test” of the strength of the client relationship.
Customer Service in Export Administration:

Create Responsible Documentation

Documentation is the engine of global trade as it eases the movement to freight from origin to destination.

There are many resources for determining guidelines for documentation. If the documentation is not completed correctly, nor timely, the goods will not move successfully.

Some resources for determining export documentation are correct websites listed in the appendix; freight forwarders and carriers and government agencies and their websites, including trade.gov.

Common Export Documents

There are many documents that are commonly used in exporting, but specific requirements on documentation may vary by destination and type of product. Frequently documentation is divided into the following subsections: common export documents, transportation documents, export compliance documents, certificates of origin, other certificates for shipments of specific goods, other export-related documents, and temporary shipment documents.

Commercial Invoice

A commercial invoice is a bill for the goods delivered by the seller to the buyer. These invoices are often used by governments to determine the true value of goods when assessing customs duties. Governments that use a commercial invoice to control imports will often specify the form, content, number of copies, language to be used and other specific information to be included on the commercial invoice.

Export Packing List

Considerably more detailed and informative than a standard domestic packing list, an export packing list includes seller, buyer, shipper, invoice number, date of shipment, mode of transport, and carrier. It also itemizes quantity, requires description and the type of package, such as a box, crate, drum or carton, as well as the quantity of packages, total net and gross weight (in kilograms), package marks and dimensions, if appropriate. A packing list is not a substitute for a commercial invoice. In addition, U.S. and foreign customs officials may use the export packing list to check the cargo.
Pro Forma Invoice

A pro forma invoice is an invoice prepared by the exporter before shipping the goods, informing the buyer of the goods to be sent, their value and other key specifications. It also can be used as an offering of sale or price quotation.

TRANSPORTATION DOCUMENTS

Airway Bill

Airfreight shipments require airway bills. Airway bills are shipper-specific (i.e., USPS, FedEx, UPS, DHL, etc.).

Bill of Lading

A bill of lading is a contract of carriage between the owner of the goods and the carrier (as with domestic shipments). For vessels, there are two types: a straight bill of lading, which is non-negotiable, and a negotiable or shipper’s order bill of lading. The latter can be bought, sold or traded while the goods are in transit. The customer usually needs an original as proof of ownership to take possession of the goods.

Electronic Export Information Filing (formerly known as the Shipper’s Export Declaration)

The Electronic Export Information (EEI) is the most common of all export control documents. It is required for shipments above $2,500* and for shipments of any value requiring an export license. It has to be electronically filed via Automated Commercial Environment (ACE) online (see Chapter 4 for further explanation).

*Note: The EEI is required for shipments to Puerto Rico even though they are not considered exports, unless each “Schedule B” item contained in the shipment is valued under $2,500.

Shipments to Canada do not require an EEI except in cases where an export license is required. (Shipments to third countries passing through Canada do need an EEI.)
EXPORT COMPLIANCE DOCUMENTS

Export Licenses

An export license is a government document that authorizes the export of specific goods in specific quantities to a particular destination and end user. This document may be required for most or all exports to some countries and only under special circumstances in other countries. Examples of export license certificates include those issued by the Department of Commerce’s Bureau of Industry and Security (dual use articles), the State Department’s Directorate of Defense Trade Controls (defense articles), the Nuclear Regulatory Commission (nuclear materials), and the U.S. Drug Enforcement Administration (controlled substances and precursor chemicals).

Destination Control Statement

A Destination Control Statement (DCS) is required for exports from the United States for items on the Commerce Control List that are outside of EAR99 (products for which no license is required) or controlled under the International Traffic in Arms Regulations (ITAR). A DCS appears on the commercial invoice, ocean bill of lading or airway bill to notify the carrier and all foreign parties that the item can be exported only to certain destinations.

CERTIFICATES OF ORIGIN

Generic Certificate of Origin

The Certificate of Origin (CO) is required by some countries for all or only certain products. In many cases, a statement of origin printed on company letterhead will suffice. The exporter should verify whether a CO is required with the buyer and/or an experienced freight forwarder.

Note: Some countries (i.e., numerous Middle Eastern countries) require that certificate of origin be notarized, certified by local chamber of commerce and legalized by the commercial section of the consulate of the destination country.

For textile products, the importing country may require a certificate of origin issued by the manufacturer. The number of required copies and language may vary from country to country.
Certificate of Origin for Claiming Benefits under Free Trade Agreements

Special certificates may be required for countries with which the United States has free trade agreements (FTAs). Some certificates of origin including those required by the North American Free Trade Agreement and the FTAs with Israel and Jordan, are prepared by the exporter. Others including those required by the FTA with Australia, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) countries, Chile and Morocco, are the importer’s responsibility).

Specific documentation requirements for the following can be found at trade.gov:

- Australia
- Bahrain CAFTA-DR (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras)
- Chile
- Israel
- Jordan
- Morocco
- USMCA
- Singapore: No certificate of origin is required. However, the importer is required to produce the necessary permits together with an invoice, at the time of cargo clearance.
- Peru: There is no prescribed format. However, specific information is required.
- Korea: There is no prescribed format. However, specific information is required. See documenting origin guidance and required data elements for certification for Korea.
- Panama: there is no prescribed format; however, specific information is required.

Certificate of Analysis:

A certificate of analysis may be required for seeds, grain, health foods, dietary supplements, fruits and vegetables and pharmaceutical products.

Certificate of Free Sale

A Certificate of Free Sale may be issued for biologics, food, drugs, medical devices and veterinary medicine. More information is available from the Food and Drug Administration. Health authorities in some states, as well as some trade associations, also issue Certificates of Free Sale.

Dangerous Goods Certificate

Exports submitted for handling by air carriers and air freight forwarders classified as dangerous goods need to be accompanied by the Shipper’s Declaration for Dangerous Goods required by the International Air Transport Association (IATA). The exporter is responsible for the accuracy of the form and ensuring that requirements related to packaging, marking and other information required by IATA have been met.
For shipment of dangerous goods, it is critical to identify goods by proper name and comply with packaging and labeling requirements, which vary depending upon the type of product shipped and the country shipped to. More information on labeling/regulations is available from the International Air Transportation Association or Department of Transportation - HAZMAT websites.

For ocean exports, hazardous material regulations are contained in the International Maritime Dangerous Goods regulations. Below are samples of hazardous materials (HAZMAT) labels used in the shipment of dangerous goods:

**Fisheries Certificate**

The National Marine Fisheries Service conducts inspections and analyses of fishery commodities for export.

**Fumigation Certificate**

A Fumigation Certificate provides evidence of the fumigation of exported goods (especially agricultural products, used clothing, etc.). This form assists in the quarantine clearance of any goods of plant or animal origin. The seller is typically required to fumigate the commodity at its expense no earlier than 15 days prior to loading.
**Halal Certificate**

Required by most countries in the Middle East, this certificate states that the fresh or frozen meat or poultry products were slaughtered in accordance with Islamic law. Certification by an appropriate chamber and legalization by the consulate of the destination country is usually required.

**Health Certificate**

A health certificate may be required for shipment of live animals and animal products (processed foodstuffs, poultry, meat, fish, seafood, dairy products and eggs and egg products). Note: Some countries require that health certificates be notarized or certified by a chamber and legalized by a consulate. Health certificates are issued by the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS).

**Ingredients Certificate**

A certificate of ingredients may be requested for food products with labels that are inadequate or incomplete. The certificate may be issued by the manufacturer and must give a description of the product, contents and percentage of each ingredient; chemical data; microbiological standards; storage instructions; shelf life; and date of manufacture. If animal fats are used, the certificate must state the type of fat used and that the product contains no pork, artificial pork flavor, or pork fat. All foodstuffs are subject to analysis by Ministry of Health laboratories to establish their fitness for use.

**Inspection Certificate**

As appropriate, weight and quality certificates should be provided in accordance with governing USDA/GIPSA regulations for loading at port and loading at source/mill site. A certificate of origin certified by the local chamber of commerce at the load port and a phytosanitary certificate issued by APHIS/USDA and fumigation certificate are to be provided to the buyer. Costs of all inspection, as well as certificates/documents at the load port, are usually the responsibility of the seller. Independent inspection certificates may be required in some instances.
Pre-Shipment Inspections

Many countries’ governments contract with international inspection companies to verify the quantity, quality and price of shipments imported into their countries. The purpose of such inspections is to ensure that the price charged by the exporter reflects the true value of the goods, to prevent substandard goods from entering the country, and to prevent attempts to avoid paying of customs duties. Requirements for pre-shipment inspection are normally detailed in letter of credit or other document requirements. Inspections companies include Bureau Veritas, SGS and Intertek. Some countries require pre-shipment inspection certificates for shipments of used merchandise.
**Insurance Certificate**

Insurance certificates are used to assure the consignee that insurance will cover the loss of or damage to the cargo during transit. These can be obtained from a freight forwarder or publishing house. Note: An airway bill may serve as an insurance certificate for a shipment by air. Some countries may require certification or notification.
**Phytosanitary Certificate**

All shipments of fresh fruits and vegetables, seeds, nuts, flour, rice, grains, lumber, plants and plant materials require a federal phytosanitary certificate. The certificate must verify that the product is free from specified epidemics and/or agricultural diseases. Additional information and forms are available from Animal and Plant Health Inspection Service (APHIS).

**Radiation Certificate**

Some counties including Saudi Arabia may require this certificate for some plant and animal imports. The certificate states that the products are not contaminated by radioactivity.
Other (Product-Specific) Certificates

Shaving brushes and articles made of raw hair must be accompanied by a recognized official certificate showing the consignment to be free from germs. Used clothing requires a disinfection certificate. Grain requires a fumigation certificate and grain and seeds require a certificate of weight. Many countries in the Middle East require special certificates for imports of animal fodder additives, livestock, pets and horses.

Weight Certificate

A certificate of weight is a document issued by customs, certifying gross weight of the exported goods.

OTHER EXPORT-RELATED DOCUMENTS

Consular Invoice

A consular invoice in some countries is used to describe the shipment of goods and shows information such as the consignor, consignee and value of the shipment. If required, copies are available from the destination country’s embassy or consulate in the U.S. The cost for this documentation can be significant and should be discussed with the buyer.

Canadian Customs Invoice

Although not required by regulation, this customs invoice is a preferred document by Canadian Customs and customs brokers. It is issued in Canadian dollars for dutiable and taxable exports exceeding $1,600 Canadian dollars. Detailed invoice requirements can be obtained at the Canadian Customs website.
**Dock Receipt and Warehouse Receipt**

A dock receipt and warehouse receipt are used to transfer accountability when the export item is moved by the domestic carrier to the departure port and left with the ship line for export.
Import License

Import licenses are the responsibility of the importer and vary depending upon destination and product. However, including a copy of an import license with the rest of your documentation may, in some cases, help avoid problems with customs in the destination country.

Appendix III

THE GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION
Import and Export Ordinance (Cap. 60)
Import and Export (General) Regulations

To: Director-General of Trade and Industry

TEXTILES IMPORT LICENCE: REQUEST FOR AMENDMENT

Import Licence No.: ________________
Date of Issue: ________________
Exporting Country/Place: ________________

<table>
<thead>
<tr>
<th>Particulars on import licence requiring amendment</th>
<th>Originally declared</th>
<th>Amended to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark(s) and Number(s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of packages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.i.f. value (HK$)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others (please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I am unable to return the *duplicate/triplicate of the above licence for amendment because ________________ (See Note 1)

The following documents are attached to substantiate the above request for amendment ________________

Importer’s Declaration

I, ________________________, acting and signing for and on behalf of ________________________, (Name and Address of importer) hereby declare that the particulars given above are true. I understand that the cancellation of this licence by the Trade and Industry Department is without prejudice to any legal and/or administrative actions which the Director-General of Trade and Industry may take in respect of this licence if it is discovered that any of the provisions of the Import and Export Ordinance or the conditions at the back of the textiles import licence forms have been breached.

Date: ________________________

Authorized Signature and
Business Chop (See Note 2)

* Delete where applicable.
**ISPM 15 (Wood Packaging) Marking**

The International Standards for Phytosanitary Measures Guidelines for Regulating Wood Packaging Material in International Trade (ISPM 15) is one of several International Standards for Phytosanitary Measures adopted by the International Plant Protection Convention (IPPC). The IPPC is an international treaty to secure action to prevent the spread and introduction of pests of plants and plant products, and to promote measures for their control. The American Lumber Standard Committee (ALSC) and the National Wooden Pallet and Container Association (NWPCA) provide phytosanitary certification for wood packaging materials (WPM). APHIS will issue a phytosanitary certificate for wood packaging materials only if WPMs are the cargo.

**Shipper’s Letter of Instruction**

The shipper’s letter of instruction is issued by the exporter to the forwarding agent and includes shipping instructions for air or ocean shipment.
c. Declaration of Conformity - example

The manufacturer:

Systemair A/S
Ved Milepælen 7
DK - 8361 Hasselager

Hereby declares that air handling units of the following types:

- DANVENT DV10, DANVENT DV15, DANVENT DV20, DANVENT DV25, DANVENT DV30, DANVENT DV40, DANVENT DV50, DANVENT DV60, DANVENT DV80, DANVENT DV100, DANVENT DV120, DANVENT DV150, DANVENT DV190 and DANVENT DV240
- TIMEc 10, TIMEc 15, TIMEc 20, TIMEc 25, TIMEc 30, TIMEc 40

Serial No: "YYMM-71800-X"

are manufactured and delivered in accordance with following directives:

- Machinery directive: 2006/42/EC
- EMC – directive: 2004/108/EC
- Low voltage directive: 2006/95/EC
- Pressure equipment directive: 97/23/EC
- European Standard: EN378

Equipment type: DVU-series
Consisting of: Compressor, evaporator and condenser

Verification and Assessment by:
Notified Body Bureau VERITAS CE0041 for PED Module: A1

Didebury, Manchester M20 2RE

The declaration is only valid, if the installation of the air handling unit is carried out according to the instructions delivered with the unit. The installer will be responsible for the CE marking and documentation, if any construction or functional changes are applied to the air handling unit.

Hasselager 24. June 2013
TEMPORARY SHIPMENT DOCUMENTS

CARNET/Temporary Shipment Certificate

A carnet is a document that eases the temporary importing of products into foreign countries by eliminating tariffs and value-added taxes (VAT) or the posting of a security deposit that is required at the time the products are being imported.
**Customs Certificate of Registration**

Customs Form 4455 may be used for goods that are leaving the United States on a temporary basis for alteration, repair, replacement and processing.

**Transporting Goods by Truck to Canada**

If goods are not cleared through Customs at the Canadian border, an application to transact bonded carrier and forwarding operation, Form E370, is required.

**Documentation and Customer Service**

One of a customer service team’s most important responsibilities is documentation, which can make or break an export transaction. This can be frustrating for inexperienced customer service representatives who don’t have the skills and resources needed to correctly handle documentation.

**Additional Documentation Concerns**

1. Export requirements versus import requirements
2. Language
3. The number of copies required
4. Original versus copies versus electronic versions
5. Signature requirements and who has authority to sign
6. Color of paper
7. Legalization or consularization required
8. Power of Attorney issues
9. Bills of lading, invoice or packing list requirements require specific language and details including product descriptions, pieces, weights, measurements (dimensions), etc.
Basic Export Trade Compliance Management

Regardless of the product or country, companies who export must pay attention to trade compliance as part of a sales strategy.

This requires taking the following steps:

a) Create complete and accurate documentation.

b) Screen all parties involved in the export transaction through the Consolidated 8 Screening List. This list contains the names of companies flagged by the U.S. government and with whom exporters cannot engage in international shipping.

https://www.export.gov/article?id=Consolidated-Screening-List

c) Understand that export documents are import documents used by foreign buyers to import the goods into their country. The documents must meet their needs and comply with U.S export regulations.

d) Most pet products would not fall under products requiring export licenses. But you must make sure your products don’t require a license. This is covered at export.gov in detail.

e) Make sure you understand and do not enter into any export sales that violate Foreign Corrupt Practices Act (FCPA). Details can be found at: https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act

f) Only use service providers that comply with export regulations and can help resolve any export control questions or issues that may arise.

g) Train your staff in export regulations and to follow the Red Flag Guidelines, found at: http://www.exportrules.com/itar/13-red-flag-indicators-for-export-transactions.html

h) Observe and utilize Incoterm (see Chapter 4) that do not expose your company to any export regulatory concerns, such as but not limited to: Ex Works or DDP (see Chapter 4).

i) Make sure products are classified correctly. The website for instruction is: https://www.export.gov/article?id=Determine-your-HS-or-Schedule-B-number
Export Case Study

Ariel Organics had a successful domestic sales program of organic and natural skin care products for dogs and cats.

Ariel had a few inquiries from potential foreign buyers but believed the exporting process was too arduous.

As Ariel’s domestic sales flattened, the company attended a webinar hosted by APPA Member Services and managed by Blue Tiger International outlining how exporting pet products can be a valuable opportunity for marketing and business development.

They contacted APPA Member Services and Blue Tiger which helped them develop a specific export strategy.

The strategy was taken in steps:

Step 1
Evaluate the product being considered for export. In Ariel’s case it was determined Europe was the best market for the product.

Step 2
Blue Tiger coordinated a program with the Department of Commerce which identified the European countries that purchased similar products. The DOC was engaged, and the initial markets were Netherlands, Great Britain and France.

The DOC contacted a distributor in Amsterdam who had access to the countries.

Samples were sent and eventually led to an initial order in early 2017. Eighteen months later, sales have grown more than $200,000.

After the initial success, buyers in France, Germany and Belgium placed orders.

Following the success of the program, exports have become an area of focus and growth for Ariel with great potential for further expansion.
Chapter 3

Logistics in Global Trade

Developing Successful Logistics

Moving freight successfully requires steep knowledge of methods for reducing risks and meeting all supply chain requirements.

To meet these goals, the selection of a transportation provider, freight forwarders, customhouse broker, mode of transit, carriers and entry ports are all important ensuring that goods are moved successfully. The success depends on experience, knowledge, resource development and some good luck.

For logistics to be successful, the following must be accomplished:

- **Timely deliveries**
- **Safe arrival of cargo**
- **Competitive pricing**
- **Trade compliant transactions**

Logistics that insure the four criteria are completed responsibly and consistently will keep global supply chains open and vendors and customers satisfied.
**Align with Qualified Service Providers**

Freight forwarders and customs brokers can become a reliable partner in the supply chain. To accomplish this, it is important to work with service providers that understand the pet products business and can provide referrals.

Freight forwarders and customhouse brokers are excellent partners to assist corporations in managing the supply chains. These two businesses can either provide full service or be used more selectively and they are critical to a successful import/export operation. Freight forwarders and customhouse brokers have expertise, qualified personnel and the resources needed to extend pet product importers and exporters and make a supply chain operate in a timely, safe and cost-effective process.

In hiring a freight forwarder or customhouse broker, these are the critical services that need to be managed:

- Pricing and freight rates and services
- Documentation, rating, carrier selection
- Packaging, insurance, warehousing, electronic data interchange (EDI)
- Knowledge of the pet product
- Logistics consulting
- Customs clearance, labeling, hours of operation, rate negotiation
- Import/export compliance management
- In-house education and training

**Choosing a Service Provider:**

1. In selecting a service provider, find one where the company will be an important customer. Match the company’s size and needs with the service provider’s size and capabilities.

2. In advance, make sure you receive all logistics costs via an “all inclusive” price. This will provide the transportation costs along with other charges like handling, surcharges, fees and processing.
3. Make sure the service provider is aware of the company’s requirements. Also ensure that the service provider can give a greater level of assistance if the company is new to the global trade.

4. Learn the service provider’s skills, capabilities and resources so you can determine which best fits a company’s needs.

Find a freight forwarder or broker

The National Customs Brokers & Forwarders Association of America (NCBFAA), ncbfaa.org, is a good resource. Additionally, the NCBFAA can provide exporters with information on their members:

NCBFAA
1200 18th Street, NW,
Suite 901
Washington, DC 20036
Tel: (202) 466-0222

Understanding Cargo Insurance

Service providers can also provide cargo insurance which protects against loss and damage to goods in transit.

Cargo insurance typically protects export shipments against loss, damage and transportation delays. But a carrier’s liability is frequently limited by international agreements, which are substantially different than domestic contracts. Insurance coverage is typically priced at 110 percent of the cost, insurance and freight (CIF) or carriage and insurance paid to (CIP) value but can be subject to negotiation. Exporters should contact international insurance carriers or freight forwarders for more information.
Key Provisions of Cargo Insurance

Cargo policies can be confusing since they may contain terms unfamiliar to many small business owners. Here are some provisions typically included in a policy:

- **Goods Insured.** This describes the property that is insured and typically covers “lawful” goods and/or merchandise of every description. Goods should be described in detail as to which items should be placed on a commercial invoice or packing list. At the same time, the description should be broad enough to cover all goods being shipped.

- **Assured Parties.** These are the parties covered by the policy and a business included in the contract should be listed as the “assured.”

- **Covered Conveyances.** These cover the transportation methods, including ships, barges, trucks, trailers and railcars.

- **Covered Perils.** All-risk policies should cover any perils that aren’t specifically excluded from the contract. These policies cover losses caused by the perils listed in the contract, typically including fire, theft, jettisons, barratry, and “perils of the sea.” Barratry are criminal acts committed by the ship’s captain or crew. Perils of the sea are events like storms, winds, waves, sinking, capsizing and collision with other objects.

- **Exclusions.** All-risk and named perils policies normally exclude losses caused by war, improper packing, abandoned cargo, rejection by customs, delay and inherent vice (a hidden defect that causes property to destroy itself).

- **Sum Insured.** This is the amount of insurance purchased on the property. It typically consists of the property’s invoice price, freight charges, and a 10 to 20 percent profit margin.

- **Geographical Limits.** This describes the regions in which the coverage applies (the coverage territory). A worldwide territory provides the broadest coverage.

- **Warranties.** These are exclusions. For example, some warranties exclude damage to cargo caused by riots or strikes.
Chapter 4
Global Sourcing and Importing

Import 101

The opportunity exists for pet product companies to source internationally for raw materials, components and finished products.

The reasons for considering global sourcing are:

- **Price**
  - Foreign vendors and suppliers often compete aggressively on price due largely to low cost manufacturing and less regulatory impact. Companies should determine the landed cost of products and this chapter is designed to ensure a good return on your investment.

- **Availability**
  - Foreign suppliers and vendors are often the sole source for some products like animal feeds, bird seeds, leather goods, low-end electronics and basic ingredients.
Variety

For companies seeking a competitive advantage, international suppliers often provide a broad array of options in price, style, value-add and quantity.

For example, value-adds may be differentiated by product, quality or an increase in performance. Another example might be products manufactured overseas but warehoused at U.S. locations, potentially allowing for faster delivery.

Globalization

Growing companies need to develop an international profile. This increases a firm’s exposure and can provide increased access to international markets and suppliers.

Diversification

To mitigate risk, companies need to diversify all aspects of their business including shifting some sourcing and buying options to international suppliers and vendors.

The first steps in weighing whether to shift toward international sourcing are:

Assessment:

A pet product company needs to determine whether international sourcing is a viable option. A means for accomplishing this is attending trade shows like the Global Pet Expo (APPA). This event provides an opportunity for international manufacturers and distributors to connect with U.S.-based buyers.

As a first step, pet product companies need to determine if there is a competitive advantage in price, diversity, value-add, etc.

Once the first step is completed, samples can be exchanged and products can be tested in markets. If the tests prove successful, international buying may provide a competitive advantage.
**Global Sourcing**

With the pet products industry being more competitive than ever, a company’s success hinges on cost savings and creating products that separate it from rivals.

In seeking savings, companies should consider sourcing products from suppliers in countries with lower manufacturing costs than those found in the United States. The lower costs can be found in raw materials, components and finished products.

And while there is value in “Buying American,” the reality is that having access to global markets ensures sales growth and profits.

In addition to raw materials and components, cost advantages can be found by having finished products manufactured in international markets. For example, there are numerous sources for tropical fish, with the bulk of them coming from suppliers in China and Taiwan. And international markets are also proving to be a reliable supplier for bird seed, vitamin supplements, nutrition and medical products.

In considering buying options, pet products companies need to take the following steps:

1. **Proceed with New Suppliers Cautiously**
   - Do not rush into sourcing relationships. At the start, get samples to ensure they meet quality standards. Then buy limited quantities until several import transactions have been completed successfully.
   - Before a final decision is made, companies should create requests for proposals and launch a competitive bidding process. Once a decision has been made, contracts should contain clauses allowing for price and terms to be renegotiated in case circumstances change, especially with new agreements. There also should be an option for canceling an order.

2. **Raise the Bar of Quality Control (QC)**
   - Many pet product companies encounter quality control issues with foreign suppliers. To overcome quality issues, samples should be exchanged until product specifications are

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**Everything in Pet Products can be sourced globally but some products present contemporary opportunities:**

- Raw Materials, Ingredients, Components and Finished Products
met. Third-party companies also can be hired to re-inspect products to confirm that the quality standards have been met and ensure they are being shipped. While a third-party company may add $300 to $900 to the costs, it helps significantly reduce risk.

3. **Control the Term of Purchase**

   **Choose the Best Incoterm**

   The **Incoterm** established by the International Commerce Commission is followed by all the United Nations countries to allow goods to pass through international borders. The Incoterm is an agreement that establishes when risk and cost is transferred between the parties involved. It doesn’t cover other contractual concerns, such as payment method, title and details of marine insurance.

   Companies that import and export pet products need to understand the Incoterm Options and how best to apply them to sourcing or sales.
There are 11 options in the 2020 edition.

**Incoterms 2020 Definitions**

Because each of the different Incoterms identify the responsibilities of the seller and the buyer in the transaction, some Incoterms are better for certain types of transportation.

Each of the 11 Incoterms is summarized below based on the mode of transportation. For a more complete list of the responsibilities for each of the terms, get a copy of ICC’s *Incoterms® 2020* book.

**Incoterms for Any Type of Transport**

**EXW (Ex Works)**

The seller fulfills its obligations by having the goods available for the buyer to pick up at its premises or another factory, warehouse or other location. The buyer assumes all risk and costs, starting when the products are picked up at the seller’s or other location and until the products are delivered. The seller is not required to load the goods or clear them for export.

**FCA (Free Carrier)**

Among the revised *Incoterms 2020* rules, this term has changed the most. Previously, problems occurred with this term when the seller was responsible for loading the goods on a truck or some other transport hired by the buyer and not directly on the international carrier. If the seller and buyer agreed to not using a letter of credit as the payment method for this transaction, banks often required the seller, in order to get paid, to present a bill of lading with an on-board notation.

The seller is responsible for either making the goods available at its own premises or at another location. In either case, the seller is responsible for loading the goods on the buyer’s transport,
delivering them to the port and clearing them for export, including security requirements. Risk transfers to the buyer once the goods are loaded.

An international carrier won’t typically provide a seller who doesn’t deliver the goods directly to them with a bill of lading. Under the new *Incoterms 2020* rules, FCA allows the parties to agree in the sales contract that the buyer should instruct its carrier to issue a bill of lading with the on-board notation to the seller.

CPT (Carriage Paid To)

Seller clears the goods for export and delivers them to the carrier or another person identified by the seller at a specified location where risk transfers to the buyer. The seller is responsible for the transportation costs tied to delivering goods to the specified location but isn’t required to obtain insurance.

CIP (Carriage and Insurance Paid To)

The seller clears the goods for export and delivers them to the carrier or another person identified by the seller at a named place of shipment where risk transfers to the buyer. Seller is responsible for the transportation costs associated with delivering goods and obtaining insurance to the named place of destination.

In *Incoterms 2020* rules for CIP, the seller is now responsible for purchasing a higher level of insurance coverage—at least 110 percent of the value of the goods as detailed in Clause A of the *Institute Cargo Clauses*.

DAP (Delivered at Place)

The seller clears the goods for export and assumes all risks and costs for delivery. Under DAP, the buyer is responsible for all costs and risks associated with unloading the goods and clearing customs in a given country.

DPU (Delivered at Place Unloaded)

DAT has been renamed Delivered at Place Unloaded (DPU) because the buyer and/or seller may want delivery to occur at a location other than a terminal.
This term is often used for consolidated containers with multiple consignees. It is the only term that requires the seller to unload goods. The seller clears the goods for export and bears all risks and costs associated with delivering and unloading them at the terminal or other location. The buyer then takes responsibility for all costs and risks, including clearing the goods for import at a given destination.

DDP (Delivered Duty Paid)

Under DDP Incoterms, the seller assumes all risks and costs associated with delivering the goods to a given destination and ensuring the goods are unloaded and cleared for import.

**Incoterms for Sea and Inland Waterway Transport**

FAS (Free Alongside Ship)

With FAS, the seller clears the goods for export and delivers them when they are placed alongside the vessel at the named port. After the goods are delivered, the buyer then assumes all risks and costs.

FOB (Free on Board)

The seller clears the goods for export and delivers them when they are on board the vessel at the named port of shipment. The buyer then assumes all risks and cost for the goods.

CFR (Cost and Freight)

The seller clears the goods for export and delivers them when they are on board the vessel at the port of shipment. The seller assumes the freight cost to the named port of destination. The buyer then assumes all risks for the goods when they are delivered on board the vessel at the shipping point.

CIF (Cost, Insurance and Freight)

The seller clears the goods for export and delivers them when they are on board the vessel at the port of shipment. The seller bears the cost of freight and insurance to the destination port. The seller is required to buy the minimum level of insurance required under Clause C of the Institute Cargo Clauses, which remains unchanged from *Incoterms 2010*. 


The buyer is responsible for all costs associated with unloading the goods at the named port and clearing them for import. At this point, the responsibility passes from the seller to the buyer.

In 2020 the Incoterms were modified as outlined above.

The latest revision’s changes include the following:

- The most obvious change is renaming the term Delivered at Terminal (DAT) to Delivered at Place Unloaded (DPU).

- The most significant change relates to the term Free Carrier (FCA). Under this term, the buyer can now require its carrier to issue a bill of lading with an on-board notation to the seller, satisfying the letter of credit.

- Under the revised term CIP, the seller is responsible for buying a higher level of insurance—at least 110 percent of the value of the goods as required under Clause A of the Institute Cargo Clauses.

- *Incoterms 2020* rules recognize sellers who may use their own means for delivering the goods. The terms now enable sellers to make a contract for carriage or simply arrange for transportation.

- *Incoterms 2020* rules now list the import and export security requirements and identify whether the buyer or seller is responsible for meeting them.
Depending upon the Incoterm that is used, the risks and costs can have impact on the buyer and seller. To reduce any impact, APPA members should know how to best use Incoterms to lower risks and costs.

4. **Create Robust “Landed Cost Models”**
   
   Landed cost models outline all the expenses involved in selecting an international supplier. Among the expenses tied to imports are freight, duties, taxes, clearance charges and consolidation.

**Landed Cost Modeling SOP**

Understanding “total costs” are key in deciding how much is purchased from international and U.S. suppliers. This is an important step in sourcing products from international suppliers and must become a Standard Operating Procedure (SOP) for all pet products companies.

- The SOP process should be documented in our product files and available for review upon request.
- The following is an outline of what are landed costs in general, followed by some additional thoughts on China-sourced products that account for the majority of pet items.
- The SOP should include a draft calculator that can be used as a guide for determining the landed costs for your products.

**What Is Landed Cost?**

Establishing a product’s landed costs—the cost of a product once it has arrived at the buyer—can be difficult. All businesses that import or export need to understand what the total cost of goods is for what they are buying or selling. In order to accurately calculate the landed cost, all factors beyond the primary price must be considered. Calculating landed cost is critical in understanding what a product actually costs and therefore what it can be sold for. The landed cost plays into margin considerations, which are among the most important aspects of managing a business.

**Landed cost definition:**

*Included in the landed cost are: the original cost of the item, all brokerage and logistics fees, complete shipping costs, customs duties, tariffs, taxes, insurance, currency conversion, crating costs and handling fees. While not all of these components are present in every shipment, they all must be considered to be part of the landed cost.*

It is to a buyer’s advantage to reduce landed costs. This allows the seller to lower the final selling price and increase margins.

When considering an item’s landed costs, there are components that need to be included. For example, determining Harmonized System Codes (HS Codes) or Harmonized Tariff Schedule Codes (HTS Codes) is essential for more than 98 percent of global trade. Once the HS Code or
HTS Code is obtained, the required duties and tariffs can be established. The accuracy of these harmonized codes is important given that a misclassification will result in incorrect tariff codes, incorrect duties and customs delays and fines. If customs delays and fines are applied, they must be calculated into the landed cost.

Global trade and supply chain management and international logistics all have moving parts. Among these are HTS codes that vary greatly and fuel costs and currency valuations that change constantly.

Additional variables that frequently aren’t considered by sourcing and purchasing personnel in setting landed costs include the quantity purchased, Incoterm, insurance, in land freight and storage.

Additional Considerations:

How to Calculate Landed Cost When Importing from China

As an importer, production in China is a good choice for many products which can sell locally or online with a good profit. Though companies purchase goods globally and manufacturing will continue to diversity, China is one of the world’s largest source of imported goods.

A key responsibility of purchasing and sourcing managers is ensuring companies are earning the correct margins on merchandise sales from China. In addition, supply chain and logistics are part of the landed cost.

In many cases, buyers procuring products from China focus solely on the product purchase price to the exclusion of the other costs involved. This results in additional costs that weren’t included in the production budget which, in turn, affects margins.

Here is an outline of the costs involved in buying products from China and while not all of the components listed below are present in every shipment, they all must be considered as part of the total landed cost:
The Incoterms rules are intended to detail the tasks, costs and risks associated with the transportation and delivery of goods. As is demonstrated by the chart, several fees may be incurred in the supply chain. The cost of goods can vary depending on the unit price and quantities involved as well as the level of service provided by a third-party import company. Other variable costs include duties, taxes and insurance. The freight costs can range from $2,000 to $5,000. Many pet product importers will choose FOB, which means the buyer takes possession of the product after it is delivered by the supplier to a border crossing, port or airport.

**The most complex part:**

Import Customs Duties & Taxes.
One common mistake is to ask the supplier in China to confirm the taxes and duties in the destination market. Suppliers may not know how a government will classify a given product and what regulations apply. Under U.S. law, the importer is responsible for HTS classification.
As part of this process, companies need to find the harmonized tariff schedule number for their product.

1. Find the Harmonized Commodity Description and Coding System (HS Codes). These are part of an international classification system that enables customs officials to locate the item in catalogs and associate it with an imported product category that has a specific import duty. The HS Code may also be referred to as tariff codes, customs codes, harmonized codes, export codes, import codes, and Harmonized Commodity Description and Coding System codes.

HS Codes can vary by country but are most accurately identified by the first four or six numbers.

The HS Codes should be listed on the commercial invoice correctly. Customs duties and taxes will be calculated by the HS Code and the declared value is based (see #2 below) on the commercial invoice. The key for importing a product is having the correct code because without it, customs clearance will be delayed and unexpected expenses may be incurred.

2. Declared Value.
Customs duties and taxes are calculated based on the customs value. The customs value is based on the declared value, which should be listed on the commercial invoice—a document issued by the supplier for clearance. In the United States, the FOB Purchase Value is typically the declared value to U.S. Customs (CBP).
**Duty/Tax Free Amount (De Minimis Value)**

The de minimis value of destination country is the declared value of your shipment below which duty and tax will not apply. Certain countries have a separate threshold. Below are data from publicly available sources or our practical experiences. We accept that it may not be perfectly accurate or up to date.

- Australia: 1000 AUD
- Canada: 20 CAD
- Europe: 22 EUR
- Japan: 130 USD
- New Zealand: 308 USD (incl. freight)
- Russia: 10000 RUB
- Singapore: 307 USD
- South America: 50 USD
- United Kingdom: 15 GBP
- United States: 200 USD

**Please note:** It is the importer’s responsibility to ensure that the correct declared value is stated on the Commercial Invoice. This responsibility cannot be shifted to the China-based company manufacturing the product.

3. Import Customs Duties

A duty is a kind of tax levied on the import or export of goods in international trade. A duty levied on goods being imported is referred to as an import duty.

Almost all countries have three levels of duties for origin countries. Below is a screenshot from *Harmonized Tariff* Schedule of the United States.

<table>
<thead>
<tr>
<th>Rates of Duty</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1</td>
<td>Special</td>
</tr>
<tr>
<td>6.7%</td>
<td>Free (A, AU, B, EH, CA, CL, CO, E, IL, J0, KR, MA, MX, OM, P, PA, PE, SG)</td>
<td>90%</td>
</tr>
<tr>
<td>4.4%</td>
<td>Free (A, AU, B, EH, CA, CL, CO, E, IL, J0, KR, MA, MX, OM, P, PA, PE, SG)</td>
<td>35%</td>
</tr>
</tbody>
</table>

**Schedule of the United States.**

- Imports from most countries described as “most favored nations” are dutiable at the normal trade relations rates under the General header in Column 1.
- Goods from countries that do not have normal trade relations with the United States are dutiable at the full rates in Column 2.
- Goods from some countries enjoy duty-free status. They are shown under the Special header in Column 1 of the tariff schedule.

Between China and a number of other countries, there may be preferential duty treatment. Declarations submitted to support a preferential duty treatment claim are supported by one of the following documents:

- Certificate of origin for China-Chile FTA (Form F)
- Form for the Free Trade Agreement between the Government of the People’s Republic of China and the Government of New Zealand (Form N)
- Certificate of origin China-Pakistan FTA (Form P)
- Certificate of origin Asia-Pacific Trade Agreement (Form B)
- Asian-China Free Trade Preferential Tariff Certificate of Origin (Form E)

Generally, products being imported into a country tend to have lower customs duty rates, sometimes as low as 0%. On the other hand, the opposite is often true for products that are considered part of an important industry in your country, sometimes punitive duties unlimited.

**For example**, you are an importer in EU and you wanted to import t-shirts for women or girls locally. You are told that the HTS code is 6106900020.

As you know, all EU member states have the same customs duty rates on products imported from non-EU countries. An importer only pays customs once, for products imported from China. Custom duties are not added to products sold within the European Union. Thus, your Spanish and German customers won’t need to pay customs on products that have already entered EU territory.

Go to [http://www.hscode.org/](http://www.hscode.org/) and type in “t-shirt” and search, or just type in “610690”. You can try both reverse searches to make sure the HTS code is correct.

Go to [http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp](http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp) and fill in the “Goods code” and “Country of origin”, which is 610690 and China-CN. Then dig to the final 12%.

Sample Pet Products Entering the United States from China (as of 8/1/18):

- Dog Bones ... Free
- Leather Leashes ... 2.4%
- Pet Carrier ... 7%
- Fish Tanks Glass ... 7.2%
- Bird Cage Steel ... 3.4%
- Catnip ... Free
- Cat Scratching Posts (Wood) ... 3.3%
This is just a training reference, actual HTS must be determined at the time of entry and inclusive of material, origin details, purpose, utilization, etc.

**Unique Aspects of Dealing with China:**

Importers of goods from China are responsible for anti-dumping duties (ADD) or counter-veiling duties (CVD). The customs declaration must reflect this.

It is important to note that some ADD or CVD rates are as much as 100% of the value of the goods.

Starting with the presidency of Donald Trump, a trade war with China began and continues as we enter 2020. While negotiations on an agreement continue, as of this writing there has been little movement to eliminate the tariff surcharges.

The administration implemented four lists of tariffs covering a host of products, including pet supplies. Tariffs of 10-25 percent have been imposed on goods imported from China. There are many options for mitigating the added costs.

APPA engages consultants to run webinars on Tariff Mitigation strategies; the consultants are available to assist APPA Members in managing the additional costs on imported goods from China as well as other countries.

Some of these steps include:

- Use of Foreign Trade Zones
- Use of Bonded Warehouses
- Drawback
- Exclusions
- First Sale Option
- Alternative Sourcing
- Tariff Engineering
- Demand Planning
- Freight Consolidation
- Choice of Incoterms
- Robust Landed Cost Modeling
- Free Trade Agreements
In deciding the best strategy for meeting the needs of a company’s supply chain, the following factors should be taken into consideration:

4. Import Taxes

**Value-Added Tax (VAT)**

A value-added tax (VAT) is a consumption tax and from a buyer’s perspective, is a tax on the purchase price. For the seller, the tax is only levied on the value added to a product, material or service during the manufacturing or distribution process. The VAT added on imports can be offset by the tax on sales. While VAT rates vary across European Union countries, they are standard for most consumer and industrial products imported from China.

**Goods and Services Tax (GST)**

A 10% GST is applied to most products imported in Australia. The GST is generally levied during the production process but is refunded to all parties. It is reflected in consumer prices.

5. Insurance

All goods imported in the United States from international markets should be covered by a master cargo insurance policy. The policy protects merchandise on an All Risk, Warehouse to Warehouse basis. The specific terms and conditions are in the insurance policy. The insurance cost is typically based on an agreed rate. For example, with a 10-cent policy rate, a $50,000 purchase carries $50 in insurance costs.
Foreign Purchasing Management 101

Overview

A company’s procurement division works with management in buying the materials, components and services needed to produce products. It consists of three functions: purchasing, sourcing and vendor relationships.

A successful division keeps the business model working, while an underperforming one can lead to delays, disruption and added costs.

As a company grows, procurement becomes an integral part of managing and controlling costs and is key to sustaining long-term growth. Underlining procurement is a purchasing department that develops and maintains supplier relationships that are critical to a company’s growth and profitability. For example, a five percent reduction in spending is the equivalent of several million dollars in sales.

Sourcing

Sourcing is the function that finds suppliers and vendors to meet a company’s internal needs. A successful sourcing manager has a long list of business contacts that can meet a company’s purchasing requirements. Top sourcing managers are involved in strategic planning, enabling them to determine sourcing options in advance of their being needed.

Sourcing adds value to a company in several ways:

- Lowering acquisition costs
- Negotiating better supply deals
- Finding supply options that offer competitive advantages
- Developing vendor/supplier relationships that can make a company’s operations viable and productive

Purchasing

Once sourcing options are determined, purchasing staff moves vendors and suppliers into the organization. This transition process can be difficult, but it is critical to building a successful vendor relationship.

Purchasing managers need to be excellent negotiators and some of the area of negotiation are:

- Price
- Payment Terms
- Contract Period or Tenure
- Scope of Work
- Agreed Deliverables
- Performance Specifications
- Warranty and Return Policies
- Insurance Requirements
- Dispute Resolution
- Cancellation Wording
- Responsible Parties
- Signing Officers
Once completed, these areas of negotiation are moved into a statement of work (SOW), master services agreement (MSA), service agreement (SA) or contract. While the purchasing officer negotiates the basic terms of the agreements, an attorney may be required to review and finalize them.

In addition to negotiating contracts and agreements, the purchasing function requires an array of management skills:

- Ability to communicate well in writing and speaking
- Organization
- Prioritize
- Knowledge(s) in the company’s businesses and products
- Team and Project Management
- Conflict Resolution
- Finance
- Leadership

A purchasing manager works across a company to organize and execute spending.

The manager’s primary responsibilities are:

- Reducing Risk
- Reducing Spend
- Business Process Improvements

The secondary responsibilities include:

- Creating internal controls for procurement
- Creating standard operating procedures and protocols in the purchasing functions
- Internal resources for all operating and business owners in an organization
- Vendor Management
- Strategic planning for future purchasing needs
- Managing RFP’s
- Developing long-term sourcing options
- Market intelligence
- Budgeting
- Collaborating with demand planning initiatives
- Managing various projects
- Both transactional and enterprise solutions
- Technology and its utilization throughout an organization
- Compliance
- Diversity inclusions
- Sustainable practices
**Vendor Management**

Once a new supplier/vendor is brought into an organization the concept of “Vendor Management” takes shape and requires the following:

- Transitioning the new vendor/supplier into the organization.
- Maintaining the relationship with the vendors/suppliers.
- Overseeing the vendors/suppliers delivery of products and ensuring they meet company needs.
- Conducting vendor assessments to reduce potential risks. Vendors should be listed in a tiered structure based on their cost to the company and the nature of their products and services. The assessments should also include benchmark prices and costs to ensure the company is receiving the required value from each agreement.

The Request for Proposal tool in managing the purchasing

An important tool for sourcing, purchasing and vendor management is the request for proposal (RFP). The RFP enables procurement staff to create a process for:

- Identifying potential vendors and suppliers
- Keeping favored incumbents “sharp”
- Reviewing potential providers
- Maximizing favorable results in any bid initiative
- Establishing a consistent and responsible means of managing costs with existing and potential providers, vendors and suppliers.
- Developing a favored and professional relationship within your organization and with outside vendors/suppliers to allow for consistent procurement.

The management of RFP’s is both an art and science. Managing successful RFP’s can be learned through schools within organizations like the American Medical Association (AMA, amanet.org), National Institute for World Trade (NIWT, niwt.org) or Institute for Supply Management (ISM, ismny.org).

**Risk Management in Procurement**

Purchasing managers need to understand that vendors and suppliers can cause “risk.”

Some of the risks are:

- Financial failure of the vendor/supplier
- Missed deliveries or delays
- Quality Control (QC) issues
- Non-Performance
- Intellectual Property Right concerns (IPR)
- Inability to be competitive
These risks must be reviewed, assessed and a determination made on which of the following actions to take:

- Setting up a contingent liability
- Transferring the risk to a third party, such as a surety or insurance company
- Mitigating the risk through loss control, loss prevention and other related options.

Managing risks can consume much of a manager’s time but is a necessary component of a successful vendor management program. An effective strategy for managing risks helps prevent potential damage and financial losses within the supply chain. As part of that strategy, it is important to have alternate vendors in case a main supplier encounters manufacturing issues.

The strategy for having alternative suppliers is part of one in which a company has multiple sources for its products, which reduces risk. Other companies may use a single source, allowing them to focus their spending and leverage their buying power.

**Summary**

Global procurement is important in every organization and requires senior management to allocate funds and resources needed to make it successful.

Procurement managers have the authority to establish standard operating procedures, protocols and business processes in sourcing, purchasing and vendor management to ensure efficient management of risk and spending.

**Import Regulatory Considerations**

**Import Compliance and Global Security**

In 1993, the U.S. Customs Service amended its rules and regulations under the Customs Modernization Act (MOD Act). The MOD Act was designed to increase compliance with customs laws and improve enforcement. The Act introduced informed compliance and shared responsibility, which require companies be informed of and comply with their customs obligations. Customs also must inform the trade community of import requirements.

Under informed compliance, companies are required to “exercise reasonable care” in importing products. When voluntary compliance is achieved, customs resources can focus on riskier shipments and compliant importers are less likely to have their shipments examined.


Effective import management maintains the flow of inbound products and raw materials with established standard operating procedures that focus on customs compliance and security. Among the security initiatives that have been implemented are:

- Advanced Manifest Rules
- Container Security Initiative
- Importer Security Filing
Air Cargo Advance Screening
Customs-Trade Partnership against Terrorism
Authorized Economic Operator

**Advanced Manifest Rules:**

Post-9/11: cargo manifests must be filed 24 hours prior to cargo being loaded on board a U.S. bound vessel at a foreign port. Advanced manifest notification gives U.S. Customs and Border Protection (CBP) a window of 24 hours before a vessel is loaded to review manifest information to make prescreening decisions.

- The cargo manifest must be filed electronically with CBP via Automated Manifest System.
- No vague descriptions are permitted.
- Violations carry a minimum $5,000 fine and the CBP may bar cargo from being unloaded.
**Container Security Initiative:**

- The CBP ensures all containers that pose a potential risk for terrorism are identified and inspected at foreign ports before they are loaded on ships bound for the U.S. CBP has officers in foreign locations to work with foreign governments to target and prescreen containers.

- Currently 58 operational CSI ports prescreen more than 80 percent of container cargo imported into the U.S.

- The three core elements of the CBP’s Container Security Initiative (CSI) are:
  1. Identifying high-risk containers. CBP uses automated tools to identify containers that pose a potential risk for terrorism, based on advance information and strategic intelligence.
  2. Prescreening and evaluating containers before they are shipped. Containers are screened early in the supply chain, typically at the port of departure.
  3. Using X-ray and gamma ray machines and radiation detectors to prescreen containers to avoid slowing down the shipping process.

**Importer Security Filing:**

The Importer Security Filing (ISF) requires importers to submit a filing with eight data elements no later than 24 hours before the cargo is loaded on a ship destined for the United States.

**Eight Data Elements:**

- Seller
- Buyer
- **Importer of Record (IOR) and FTZ Applicant Identification Number**
- Consignee Number
- Manufacturer or Supplier
- Ship to Party
- Country of Origin
- Commodity Harmonized Tariff Schedule or the United States Number (HTSUS)

There are penalties for not filing ISF timely or correctly: Liquidated damages for ISF start at $5,000 for failure to file an ISF; $5,000 for late ISF; $5,000 for inaccurate ISF; $5,000 for an incomplete ISF; and $5,000 for failure to withdraw an ISF. The maximum liquidated damages per ISF filing is $10,000.

- File early: no later than 72 hours prior to sailing
- Use template to file
- Include language in vendor agreements, contacts, purchase orders for ISF
- Update ISF if information needs to be amended
- Monitor ISF progress reports
**Air Cargo Advance Screening:**

Currently under testing, this program is a voluntary test in which participants submit a subset of advance air cargo data to CBP before it is loaded onto a plane destined to or transiting through the United States.

**Customs-Trade Partnership against Terrorism:**

Customs-Trade Partnership against Terrorism (C-TPAT) is a voluntary security program implemented after the terrorist attacks in 2001. The program is open to importers, customs brokers, consolidators, truckers, third party logistics and carriers.

C-TPAT requires its participants establish security procedures and provide evidence that those procedures have been implemented in the company’s supply chain. These requirements include:

- Screening business partners
- Container security
- Personnel security
- Physical access controls
- Procedural security
- IT security

As cargo is imported into the U.S., CBP assigns a risk value to each shipment based on country of origin, supplier, port of export and type of product. Cargo imported by a C-TPAT-certified company is placed at a lower risk. Entries filed by Tier II C-TPAT certified importers are 3.5 times less likely to be selected for a security-based examination. Other benefits include:

- Faster inspections
- Reduced inspection fees
- Access to FAST lanes
- Business continuity
- Attractive to new customers
- Supply chain security
- Mutual recognition agreement

CBP has linked the C-TPAT program to other security programs in New Zealand, Canada, Japan, Korea, Jordan, European Union and Taiwan.

**Authorized Economic Operator:**

The Authorized Economic Operator (AEO) certificate is an internationally recognized quality mark indicating that a company’s role in the international supply chain is secure, and that their customs controls and procedures are efficient and compliant.
Annual Security Risk Assessment:

Participants are required to perform an annual security risk assessment. CBP recommends the Five Step Security Risk Assessment as part of the annual review.

1. Mapping cargo flow
   - Identify business partners (direct/indirect)
   - Review global supply chain
2. Conducting a threat assessment
   - Country threat assessment
   - Monitor threat levels as supply chain evolves
   - Additional monitoring of cargo and, if warranted, increased security measures
3. Cargo vulnerability assessment
   - Supply chain partners security questionnaire
   - Make sure previous information is still accurate
   - New partners, new questionnaire
4. Developing an action plan
   - Identify recommendations and action items
   - Provide recommendations in writing to business partners
   - Follow-up with business partners on action items
   - Where practical, assist business partners
   - Track progress and maintain updates
5. Documenting the process
   - Maintain evidence that the plan is being implemented, including photos, videos, automated systems, web portal maintenance, tracking and tracing programs, training materials, checklists and procedures.
   - Monitor CBP and government websites
   - Review vulnerabilities

C-TPAT participants will be revalidated every four years. This includes:

- Revisiting and verifying the previous action plan and recommendations
- Changing to company policy and procedure
- Reviewing a company’s current supply chain
- Identifying any new and/or existing gaps and vulnerabilities
- Making recommendations to correct and secure the supply chain

Reasonable Care

Importers must provide CBP with documentation and information so the agency can properly assess duties, collect accurate statistics and decide whether any other requirements have been met.

It is the importers’ and their customs brokers’ responsibility to use reasonable care in entering merchandise. The customs agency sets the final classification and value.

Importers can demonstrate they are exercising reasonable care by:

- Consulting with qualified experts (customs brokers, customs consultants and customs attorneys).
- Seeking guidance from CBP through the binding ruling program.
- Providing the information needed for a broker to make proper entry.
- Getting analysis from in-house and/or accredited labs to determine the technical qualities of imported merchandise.
- Using in-house employees who have experience and knowledge of CBP regulations and procedures.
- Ensuring goods are marked with the country of origin to indicate to the buyer the origin of imported products.
- Consistently classify and value products.
- Notifying CBP of any changes in how the agency treats the same goods in different entries or ports.
- Checking the broker’s entries to confirm the correct classification and valuation has been applied.

Penalties for importer’s failure to meet reasonable care:

- Domestic value or twice the duty, whichever is less.
- If duty free, the penalty is calculated at 20 percent of the value.

Brokers are considered customs experts and must:

- Verify that the information they provide clients is correct.
- Not knowingly give clients false information regarding customs business.
- Not withhold information from clients that are entitled to it.
- Establish procedures for limiting advice being given by qualified licensed individuals.
- Obtain and receive directly from importer the complete and accurate information needed to make an entry or provide proper advice.

Penalty for broker’s failure to meet reasonable care: $30,000 per violation (19USC1641)

Supervision and Control over the Import Process:

- Hire an expert to assist you in complying with CBP requirements
- Review import circumstances, new products, etc. prior to importing
- Have access to customs regulations (and other government agency regulations that may apply to the company)
- Access the Harmonized Tariff Schedule United States of America (HTSUS), Informed Compliance Publications and Automated Commercial Environment (ACE) and ISF progress reports
- Have a reliable system for receiving copies of information submitted to CBP
- Review copies and audit them for accuracy
- Ensure CBP is timely advised of any needed corrections
- Discuss imports in advance with an expert
- Create a customs broker letter of instruction
- Share the company HTS database with the customs brokers
- Schedule reviews with customs brokers
- Monitor ISF progress reports
- Obtain the import notification from vendor

**Common Practice vs. Compliant Practice**

Many importers judge the success or failure of their imports based on customs clearance, delivery and competitive pricing.

- Most importers rely on the invoice value as the correct valuation for CBP purposes without specific knowledge of the regulatory guidelines in the CFR Title 19 Part 152.
- Most brokers rely on the invoice value as the correct valuation criteria for CBP purposes.
- Importers ignored the regulatory requirement to supervise and control import entry declarations due to their faith in the broker’s expertise.
- The Customs broker is authorized to conduct business on behalf of an importer and to provide advice in the clearance process. But the broker is not authorized to make entry decisions for the importer.
- Importers and brokerage personnel should be aware of the various elements of proper valuation reporting that may not be in commercial invoice

**Power of Attorney:**

All customs brokers must have a valid power of attorney to conduct customs business on the importer’s behalf. The penalty for conducting customs business on behalf of an importer without a valid power of attorney is an amount of up to the value of the merchandise for each transaction and/or the loss of a license.

All power of attorney forms should be dated with a date of expiration as a means of supervision and control. A power of attorney may be revoked by writing a letter to the Port Director of Customs in the port of entry.

**Managing Customs Communications:**

- Centralize record keeping process
- Designate a person responsible for receiving customs communications
- Create procedure for handling requests for information, compliance notices, etc.
- Brief management early in the process
- Work with customs brokers and legal counsel when necessary
- Manage timelines for returning information to an import specialist
- Run reports to capture similar circumstances and import scenarios
- Research and/or apply for rulings
- Reference resources used for determining tariff classifications
**Import Entry Process**

**“ABC” Company Import Booking Flow Chart**

1. U.S. customer requests quote from ABC USA for product.
2. ABC contacts foreign supplier and freight forwarder to obtain pricing and quotes U.S. customer.
3. Purchase order place by ABC to foreign supplier.
4. Foreign supplier advises Forwarder and ABC that shipment is ready for pickup and shipment details.
5. Forwarder requests shipper’s letter of instructions and export documents from supplier and prepares export formalities out of port of departure.
6. Partial ISF data is submitted to Forwarder.
7. Forwarder books cargo and receives additional ISF elements from carrier.
8. Forwarder advises ABC booking information.
10. Customs broker advises Forwarder ISF acceptance and issues authorization to load cargo.
11. Carrier provides shipping documents data to Forwarder and ABC.
12. Forwarder provides HBL data/documents to ABC and customs broker.
13. ABC tracks and traces import shipment and advises U.S. customer of tracking details.
14. ABC will track and trace shipment up to point of pickup at destination port including import clearance process.
15. ABC will arrange pickup from port of import and delivery to customer’s warehouse or distribution facility as per customer’s instructions.
16. ABC will maintain all import transaction records in accordance with recordkeeping requirements.

**Customs Release Status:**

1. Paperless release entry – no entry documentation and examination of cargo is required.
2. Entry Documents Required (EDR) – Declaration (CF3461), invoice, packing list, bond, etc. must be presented to customs office for further review.
3. General Exam – after EDR, no examination required. Shipment can be released.
4. Intensive Examination – CBP examination required.
5. Release authorized – after intensive examination (if applicable).

**Payment of Duties:**

- Electronic fund transfer (Automated clearing house)
- Check from importer or broker to CBP
- Periodic monthly statement by 15th of the month
- Entry summary and duty paid by the tenth business day from date of release
Failure to pay duties on time may result in liquidated damages against the importer.  
Penalty Amounts:  
Unrestricted Merchandise:  Value + Duties + Fees + Taxes  
Restricted Merchandise:  Value x 3  

**Liquidation:** The final CBP’s assessment of regular and special duties accrued on an entry.  

**Protest:** A protest of a CBP decision must be filed within 90 days of the date of liquidation:  
Allowed – Reliquidation to follow.  
Denied – Importer can file summons (legal action) against CBP in CIT.  

**Basic Importation and Entry Bond Conditions:**  
A bond for basic importing and entry must contain the conditions listed in this section and may be either a single entry or a continuous bond.  

Parties to a Customs bond:  
Principal: Importer  
Surety: Bond Company  
Beneficiary: CBP  

(a) Agreement to pay duties, taxes and charges.  
(b) Agreement to make or complete entry.  
(c) Agreement to produce documents and evidence.  
(d) Agreement to redeliver merchandise.  
(e) Agreement to rectify any non-compliance with provisions of admission.  
(f) Agreement for examination of merchandise.  
(g) Agreement on duty-free entries or withdrawals.  
(h) Agreement to comply with customs regulations applicable to customs security areas.  
(i) The principal agrees to comply with all importer security filing requirements.  
(j) Agreement to comply with electronic entry and/or advance cargo information filing requirements.  
(k) Agreement to ensure and establish issuance of softwood lumber export permit and fees.  
(l) Consequence of default.  

**Automated Commercial Environment**  
The Automated Commercial System (ACS) is used by CBP to track, control and process all goods imported into the United States. A key component is the Automated Broker Interface (ABI), which allows qualified companies to file required import data electronically with customs. ABI is a voluntary program available to brokers, importers, carriers, port authorities and independent service centers. CBP is transiting cargo processing to the Automated Commercial Environment (ACE).  

ACE is being developed as means for the U.S. government to track, control and process all imported and exported goods. As CBP transitions to ACE, the technical requirements for transmitting data will be posted on CBP.gov under the ACE website.  

ACES Dates:  
May 1st, 2015  Mandatory use for electronic import & export manifest filings  
Nov 1st, 2015  Mandatory use for electronic cargo release & entry summary filings  
Oct 1st, 2016  Mandatory use for all remaining electronic portions of cargo process
**Centers of Excellence and Expertise**

Centers of Excellence and Expertise transforms the way CBP approaches trade operations and works with the international trade community. The Centers were established to increase uniform practices across ports of entry, resolve trade compliance issues and further strengthen agency knowledge of industry practices.

**Focused Assessments**

- Classification
- Recordkeeping
- Internal controls and supervision
- Generalized System of Preferences (GSP) / Free Trade Agreement (FTA) declarations
- American goods repair/return declarations

**Importer Self-Assessment**

ISA is one of the privileges offered to C-TPAT members. This program gives the importer an opportunity to self-analyze their compliance standards and provide these findings to the CBP. ISA participants aren’t subject to routine or periodic on-site reviews or audits other than consultations with CBP account managers and auditors for training, support and compliance improvement.

ISA participants won’t have to undergo comprehensive audits, including focused assessment and drawback provided there are internal controls for each specific area. ISA participants may be subject to an audit or on-site review of any trade compliance issues. In these cases, CBP and the importer work together to develop a mutually acceptable course of action.

**Valuation Verification Factors:**

**Term of Sale / Incoterms**
- Free on Board (FOB)/Free Carrier Agreement (FCA) = Customs Entered Value
- FOB/FCA value: all costs incurred in bringing the merchandise up to and on board the vessel or aircraft destined for the U.S.

**Additions to Price**
- Foreign inland freight (except for Ex Works & shipments under a through bill of lading)
- Packing
- Assists
- Selling Commission
- Royalties
- Discounts

**Deductions from Price**
- Commercial invoices should be itemized by description and amount with identified charges clearly designated and considered non-dutiable.
- Brokers are not authorized to calculate non-dutiable charges on behalf of the importer based on the invoice alone.
As proof of payment, an importer must document insurance, international freight, U.S. delivery and buying commissions.

**Commissions**
Selling Commission: a commission paid as a condition of the sale.
Buying Commission: a commission that is paid separately from a condition of sale. A true buying agent will receive payment regardless of the existence of the sale.

**Five Methods of Valuation:**

**Transaction Value:** The price paid for imported merchandise.

**Transaction Value of Identical:** The price paid on merchandise entered at or around the same time and from the same global region that can be used for valuation purposes. (Fair market value concept)

**Deductive Value:** The price after a product has been imported plus the U.S. resale value less all non-dutiable charges. For customers’ purposes, this is applied against the acceptable value.

**Computed Value:** The sum cost of the merchandise including raw materials, labor, production and assembly that, when added together, represent the computed value for Customs purposes.

If no other value can be determined: Customs will assign a value based on general industry knowledge.

**Country of Origin Marking**
- All goods must be permanently marked indicating the country of origin
- Marking exceptions are found on the J list
- Outer most carton concept
- Marking duties: 10% of the value

**Harmonized Tariff Classifications**
HTSUS is a detailed reference guide to proper classification of merchandise upon entry into the U.S. All articles subject to customs clearance need to be properly classified.

References

Hard copy reference – book format

Online reference – Customs website [http://www.cbp.gov](http://www.cbp.gov)

The General Rules of Interpretation (GRI) is customs’ formal guide for interpreting classifications. Classification is not an exact science. A customs classification agent is required to interpret, in many cases, the determining factors of what products are being imported. In many cases, there are differences in interpretation, so CBP regulatory procedure follows HTSUS guidelines under GRI.

The General Notes supplement GRIs. The General Notes explain and define Special Tariff Treaty Programs (GSP, USMCA, CBERA, etc.) The General Notes also contain the definitions of symbols and abbreviations used throughout the guide.
The HTSUS is formatted in numerical order by chapters. Each chapter covers a specific class of merchandise and is preceded by notes. Chapter notes provide detailed information regarding specific commodities, including definitions and clarification principles.

Rates of Duty

- **General:** normal trade relations (NTR) countries
- **Special:** special tariff treaty program designations
- **Column 2:** rates of duties related to non-NTR countries

*Harmonized Tariff Schedule (HTS) vs. Schedule B Numbers*

- HTS may be used for export and import.
- Schedule B numbers may only be used for export, but customs will not recognize them.

*Drawback*

Drawback is a privilege that allows importers of duty paid merchandise to receive a refund under specific conditions. Customs will refund 99 percent of the duties paid. If merchandise is unused, they also will refund 99 percent of the Merchandising Processing (MPF) and Harbor Maintenance Fees (HMF).

Products eligible for refund:
- Imported merchandise sold for export
  - Rejected/returned merchandise
  - Merchandise destroyed under customs supervision
  - Merchandise used in manufacturing of a final product that exported

Who qualifies for duty drawback?
- Importer who manufactures and exports
- Purchaser of imported merchandise who manufactures and exports
- Exporter who purchases a product made from imported merchandise

Three types of drawback:
- Unused merchandise, rejected merchandise, manufacturing.

*Requests for Information (CBP 28)*

During the liquidation period, CBP may ask for additional information regarding the import entry information. The additional information is used to verify that the merchandise is properly classified, valued and meets U.S. import regulations. This form may also be used to request a sample for evaluation.

- Importers have 30 days to respond to the CBP request. If a company can’t respond within 30 days, it should seek an extension.
- Not responding or late responding is not an option.
- Answer all questions that are listed in all fields.
- Consider calling CBP to discuss what triggered the request. This may help the company frame its response.
Other issues to consider:

- Do you have other entries with similar issues?
- Was there an error made and is there a need to change the import process?
- Should you file a disclosure?
- If attaching documents, reference them in the response and specify document names.
- Notify your broker and company management.

Free Trade Agreements

An FTA is a pact between two or more countries that covers trade in goods and services.

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<thead>
<tr>
<th>Australia</th>
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USMCA: Mexico and Canada
CAFTA-DR: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras & Nicaragua
Trans-Pacific Partnership

Qualifying Goods under an FTA

- Product manufactured in the U.S. and partner country
- Tariff shift (according to specific Rule of Origin)
  - Tariff shift occurs when the HTS number changes from raw materials, components and parts to a finished product.
- Applicable regional value content (local valued added)
- Produced entirely in the territory of the partner country using a combination of the above

Documentation Required to Qualify for an FTA

- Specific form
- Written affirmation
- Records of all trade agreements and documents supporting the preferential duty claim

Anyone seeking preferential duty treatment must be knowledgeable about the requirements and statements of facts being declared.

This includes understanding the manufacturing process, tariff classification, valuation, country of origin and other factors that help decide whether a company has submitted the correct preference criteria.

Transit and Transshipment

- Shipment must remain under the control of customs authorities in the country that is part of the FTA.
Under an FTA, the unloading and reloading of shipments is permitted but doesn’t qualify the merchandise.
Goods shipped to another country, cleared for import and then exported will void FTA benefits.

Regional Value Content Methods

- Transaction value / adjusted value / value of non-originating materials
- Net Cost / value of originating materials

Regional value content is calculated as a percentage of originating and non-originating materials.

Challenges in Managing Multiple FTAs

- Documentation will vary depending on the FTA
- Differing rules of origin, complex regulations
- Obtaining supplier information
- Accessing knowledgeable staff and resources
- Be prepared to provide customer, foreign customs or CBP documentation

Managing Multiple FTAs

- Establish written procedures for issuing certificates and/or confirmations of preferential tariff treatment
- Review supplier certifications
- Provide training to suppliers, if necessary
- Follow country requirements for retaining records
- Use a letter of instructions for brokers and freight forwarders
- Prepare for implementation of new agreements with sales staff and purchasing
- Create procedures to document changes in sourcing

Import Recordkeeping

- Must be maintained in the United States
- Must confirm information and financial data contained in the entry import declaration is correct
- Records must be kept for five years from the date of entry
- Drawback claims must be kept for five years from the date of entry and for three years from the date the claim is paid
- Other records that need to be retained include the purchase inquiry, purchase order, commercial invoice, letter of instructions, CBP3461, CBP7501, brokerage communications, CBP communications, notice of liquidation and other documents as outlined in CFR163 on a list known as the (a)1(a) listing.
- Importers must receive pre-approval from CBP to maintain the records electronically
Penalties for failing to keep records:
$100,000 or 75% of dutiable value for each release for willful failure
$10,000 or 40% of the dutiable value for each release for negligence

**301 Tariff Mitigation**

The 301 Tariffs developed by the Trump Administration in Washington in 2018 have imposed excess duties and tariffs that could increase landed costs by up to 25 percent.

While the tariffs have proved daunting, there are numerous options for mitigating risk.

Our APPA Consultant Blue Tiger International has developed numerous options in 301 Tariff Mitigation that might prove valuable to the pet products import supply chain.

These options include:

- Foreign Trade Zones
- Tariff Engineering
- Bonded Warehousing
- Free Trade Agreements
- Alternative Sourcing
- Consolidated Freight Negotiations
- Re-negotiated Supply Contracts

**Global Sourcing Case Study**

JKM Manufacturing produces electronic containment and fencing systems for dogs. They have both a robust domestic and export market.

JKM buys electronic components from a source in Ohio, which imports parts from China. The Ohio company has increased their selling price due to the tariffs.

JKM approached APPA Member Services which developed a strategy with Blue Tiger International.

Blue Tiger contacted their global resources and found two suppliers, one in Mexico and the other in Taiwan.

Introductions were made and engineers from JKM communicated with both companies. After weeks of dialogue and an exchange of product requirements, the suppliers submitted prototypes. It was determined that the Mexican supplier could provide the same product at a lower landed cost.

JKM is now purchasing the components from Mexico and, because of NAFTA, is acquiring the product at a lower cost from what was previously provided by the Ohio company.

As a result, JKM in 2018 offered their finished product with a 15% discount, which increased sales by 25 percent.
Global sourcing allowed JKM to better control inbound component needs at a lower cost and with less lead time, which kept the company competitive.

**Summary and Best Practices in Pet Product Imports and Exports**

There are numerous opportunities for pet product companies to create competitive advantages in global sourcing and in foreign export sales.

The keys to being successful in imports and exports has been outlined in the preceding four chapters in this APPA Members Manual and Guidebook.

In summary:

1. APPA has developed a significant resource in this manual and their relationship to their International Business Consultant (Blue Tiger International) set up to provide support to the members in any area related to global sourcing and in foreign export sales activity.

2. Foreign sourcing can lower the cost of raw materials, components, parts and finished products.

3. Export sales reach more than 95 percent of the consumer market. With pet product sales growing in an increasing number of countries, the international market has unlimited potential.

4. Partner with qualified service providers, freight forwarders and customhouse brokers who can extend a company’s global supply chain by ensuring supplier and customer relationships are well maintained.

5. International business requires paying close attention to detail.

6. Documentation drives imports and exports and makes the supply chain work, so it is important to understand documentation needs and manage them well.

7. Develop an understanding of foreign cultures. A good knowledge of local customs and nuances will build solid relationships and lead to better, less risky trade.

8. Always work in U.S. currency unless you are prepared to accept foreign exchange risk, which can create unnecessary exposures.

9. Develop relationships with key partners in accounting, banking and legal services who can support a company in international purchasing and export sales.

10. Gain access to key government websites: export.gov and cbp.gov which will assist a company in resources and regulatory requirements.

11. Pay attention to U.S. import and export Regulations, along with those in the countries in which the company is doing business. Trade compliance management keeps a company operating within the required regulations, which is key to sustaining a global supply chain.
12. Become informed and engaged in international business. APPA hosts several training sessions in global business. Additionally, organizations like the National Institute for World Trade (niwt.org) and the American Management Association (amanet.org) also have good training programs.

13. Keep tabs on global political, economic and trade environments, especially in regions of the world where a company sources and sells products. Changing events create both risk and opportunity.

14. Become C-TPAT Certified. Gaining compliance and security with the U.S. government provides advantages and benefits to a global supply chain.
APPENDIX

Acronyms

Glossary

Incoterms

Credits

**Acronyms:**

ABI: Automated Broker Interface
ACAS: Air Cargo Advanced Screening
ACE: Automated Commercial Environment
ACH: Automated Clearing House
AEO: Authorized Economic Operator
AMS: Automated Manifest System
ATS: Advanced Targeting System
CBP: Customs and Border Protection
CEE: Centers of Excellence and Expertise
CFR: Code of Federal Regulations
CIT: Court of International Trade
CSI: Container Security Initiative
C-TPAT: Customs-Trade Partnership against Terrorism
DHS: Department of Homeland Security
FDA: Food and Drug Administration
FAST: Free and Secure Trade
FTA: Free Trade Agreement
GSP: Generalized System of Preferences
HMF: Harbor Maintenance Fee
HTSUS: Harmonized Tariff System of the United States
IPR: Intellectual Property Rights
ISA: Importer Self-Assessment
ISF: Importer Security Filing
LOI: Letter of Instruction
Glossary:

A

AA
Always Afloat.
A contract term requiring that the vessel not rest on the ground. In some ports the ship is aground when approaching or at berth.

AAR
Abbreviation for:
– Against All Risks (insurance clause).
– Association of American Railroads.

Abait
A point beyond the midpoint of a ship’s length, toward the rear or stern.

Abandon
A proceeding during which a shipper/consignee seeks authority to abandon all or parts of their cargo.

Abatement
A discount allowed for damage or overcharge in the payment of a bill.

ABI
U.S. Customs’ “Automated Broker Interface” which brokers use to file importers’ entries electronically.

Aboard
Referring to cargo being put, or laden, onto a means of conveyance.

Absorption
One carrier assumes the charges of another without any increase in charges to the shipper.

Acceptance
– A time draft (or bill of exchange) that the drawee (payer) has accepted and is unconditionally obligated to pay at maturity.
– Broadly speaking, any agreement to purchase goods under specified terms.

Accessorial Charges
Charges that are applied to the base tariff rate or base contract rate, e.g., bunkers, container, currency, destination/delivery.

Acquiescence
When a bill of lading is accepted or signed by a shipper or shipper’s agent without protest, the shipper is said to acquiesce to the terms, giving a silent form of consent.

Acquittance
A written receipt in full and discharge from all claims.
ACS (A.C.S.) or ACE
U.S. Customs’ master computer system, “Automated Commercial Systems.” Now being replaced by the Automated Commercial Environment system.

Act of God
An act beyond human control, such as lightning, flood or earthquake.

Ad Valorem
A term from Latin meaning, “according to value.” An import duty applied as a percentage of the cargo’s dutiable value.

Administrative Law Judge
A representative of a government commission or agency vested with power to administer oaths, examine witnesses, take testimony, and conduct hearings of cases submitted to, or initiated by, that agency. Also called Hearing Examiner.

Admiralty (Adm.)
Refers to marine matters such as an Admiralty Court.

Advance
To move cargo up line to a vessel leaving sooner than the one booked.
See also Roll.

Advanced Charge
Transportation charge advanced by one carrier to another to be collected by the later carrier from the consignor or consignee.

Advanced Notice of Arrival (ANOA)
Any vessel entering United States waters from a foreign port is required to give a 96-hour ANOV. Any vessel of 300 gross registered tonnage and greater is required to give the ANOA to the U.S. Coast Guard’s National Vessel Movement Center. Any vessel under 300 gross registered tons is required to give the ANOA to the appropriate Captain of the Port.

Adventure
Shipment of goods on shipper’s own account. A bill of adventure is a document signed by the master of the ship that carries goods at owner’s risk. Also, a term used in some insurance policies to mean a voyage or a shipment.

Advice of Shipment
A notice sent to a local or foreign buyer advising that shipment has gone forward and containing details of packing, routing, etc. A copy of the invoice is often enclosed and, if desired, a copy of the bill of lading.

Advising Bank
A bank operating in the seller’s country that handles letters of credit on behalf of a foreign bank.

AES
U.S. Automated Export System for reporting shipments to the Census Bureau, as a requirement for exports from the United States.

Affreightment, Contract of
An agreement by an ocean carrier to provide cargo space on a vessel at a specified time and for a specified price to accommodate an exporter or importer.

Aframax Tanker
A vessel of 70,000 to 119,000 DWT capacity. The largest tanker size in the AFRA (average freight rate assessment) tanker rate system.

Aft
Movement toward the stern (back end) of a ship.

Agency Tariff
A tariff published by an agent on behalf of several carriers.
Agent (Agt.)
A person authorized to transact business for and in the name of another person or company. Types of agents are:
(1) brokers,
(2) commission merchants,
(3) resident buyers,
(4) sales agents,
(5) manufacturer's representatives.

Aggregate Shipment
Numerous shipments from different shippers to one consignee that are consolidated and treated as a single consignment.

Agreed Valuation
The value of a shipment agreed upon in order to secure a specific freight rate.

Agreed Weight
The weight prescribed by agreement between carrier and shipper for goods shipped in certain packages or in a certain number.

A.I.D.
Agency for International Development.

Air Waybill
The forwarding agreement or carrying agreement between shipper and air carrier and is issued only in non-negotiable form.

All In
The total price to move cargo from origin to destination, inclusive of all charges.

All Risk
A form of cargo insurance providing the broadest terms and conditions such as covered under Institute Cargo Clauses A.

Allision
The striking by a moving vessel against a stationary object.

Allowance
In shipping, tolerances allowed for in weight or measure.

Alongside
A phrase referring to the side of a ship. Goods delivered “alongside” are to be placed on the dock or barge within reach of the transport ship's tackle so that they can be loaded.

Alternative Rates
Privilege to use the rate producing the lowest charge.

Ambient Temperature
The temperature of a surrounding body. The ambient temperature of a container is the atmospheric temperature to which it is exposed.

American Bureau of Shipping
U.S. classification society which certifies seagoing vessels for compliance to standardized rules regarding construction and maintenance.

AMS
The U.S. Customs’ “Automated Manifest System.”

Anti-Dumping Duty
A tariff imposed to discourage sale of foreign goods, subsidized to sell at low prices detrimental to local manufacturers.
Any Quantity (A.Q.)
Usually refers to a rating that applies to an article regardless of size or quantity.

Apparent Good Order
When freight appears to be free of damage so far as a general survey can determine.

Appraisement
Determination of the dutiable value of imported merchandise by a customs official who follows procedures outlined in their country's tariff, such as the U.S. Tariff Act of 1930.

Appraiser’s Stores
The warehouse or public stores to which samples of imported goods are taken to be inspected, analyzed, weighed, etc. by examiners or appraisers.

AQUIS
Australian Quarantine and Inspection Service

Arbitrary
A stated amount over a fixed rate to one point to make a rate to another point.

Arrival Notice
A notification by carrier of ship’s arrival to the consignee, the “Notify Party,” and when applicable the “Also Notify Party.” These parties in interest are listed in blocks 3, 4 and 10, respectively, of the Bill of Lading.

ASC X12
American Standards Committee X12 responsible for developing EDI standards for the United States.

Assignment
A term commonly used in connection with a bill of lading. It involves the transfer of rights, title and interest in order to assign goods by endorsing the bill of lading.

A stern
– Behind a vessel.
– Move in a reverse direction.

A.T.A.
American Trucking Association.

ATDNSHINC
Any Time Day or Night Sundays & Holidays Included. A chartering term referring to when a vessel will work.

Athwartships
A direction across the width of a vessel.

Automated Identification System (AIS)
It is a system used by ships and Vessel Traffic Service (VTS) principally for the identification and the locating of vessels. AIS provides a means for ships to electronically exchange ship data including: identification, position, course and speed, with other nearby ships and VTS stations.

Average
See Insurance.

Avoirdupois Pound
Same as 0.4535924277 kilograms.

AWWL
Always within Institute Warranties Limits (Insurance purpose).
BB
Abbreviation for:
- Ballast Bonus: Special payment above the Chartering price when the ship has to sail a long way on ballast to reach the loading port.
- Bareboat: Method of chartering of the ship leaving the charterer with almost all the responsibilities of the owner.

B/L
Abbreviation for “Bill of Lading.”

Backhaul
To haul a shipment back over part of a route it has traveled.

BAF
Abbreviation for “Bunker Adjustment Factor.” Used to compensate steamship lines for fluctuating fuel costs. Sometimes called “Fuel Adjustment Factor” or FAF.

Balloon Freight
Light, bulky articles.

Bank Guarantee
Guarantee issued by a bank to a carrier to be used in lieu of lost or misplaced original negotiable bill of lading.

Barratry
An act committed by the master or mariners of a vessel, for some unlawful or fraudulent purpose, contrary to their duty to the owners, whereby the latter sustain injury. It may include negligence, if so gross as to evidence fraud.

Barrel (BBL)
A term of measure referring to 42 gallons of liquid at 600 degrees.

Base Rate
A tariff term referring to ocean rate less accessorial charges, or simply the base tariff rate.

BCO
Abbreviation for “Beneficial Cargo Owner.” Refers to the importer of record, who physically takes possession of cargo at destination and does not act as a third party in the movement of such goods.

Beam
The width of a ship.

Belt Line
A switching railroad operating within a commercial area.

Beneficiary
- Entity to whom money is payable.
- The entity for whom a letter of credit is issued.
- The seller and the drawer of a draft.

Berth Terms
Shipped under rate that includes cost from end of ship’s tackle at load port to end of ship’s tackle at discharge port.

Beyond
Used with reference to charges assessed for cargo movement past a line-haul terminating point.
Bilateral
A contract term meaning both parties agree to provide something for the other.

Bill of Exchange
In the United States, commonly known as a “Draft.” However, bill of exchange is the correct term.

Bill of Lading (B/L)
A document that establishes the terms of a contract between a shipper and a transportation company. It serves as a document of title, a contract of carriage and a receipt for goods.

- **Amended B/L**: B/L requiring updates that do not change financial status; this is slightly different from corrected B/L.
- **B/L Numbers**: U.S. Customs’ standardized B/L numbering format to facilitate electronic communications and to make each B/L number unique.
- **B/L Terms & Conditions**: the fine print on B/L; defines what the carrier can and cannot do, including the carrier’s liabilities and contractual agreements.
- **B/L’s Status**: represents whether the bill of lading has been input, rated, reconciled, printed or released to the customer.
- **B/L’s Type**: refers to the type of B/L being issued. Some examples are: a Memo (ME), Original (OBL), Non-negotiable, Corrected (CBL) or Amended (AM) B/L.
- **Canceled B/L**: B/L status; used to cancel a processed B/L; usually per shipper’s request; different from voided B/L.
- **Clean B/L**: A B/L which bears no superimposed clause or notation which declares a defective condition of the goods and/or the packaging.
- **Combined B/L**: B/L that covers cargo moving over various transports.
- **Consolidated B/L**: B/L combined or consolidated from two or more B/L’s.
- **Corrected B/L**: B/L requiring any update which results in money- or other financially-related changes.
- **Domestic B/L**: Non-negotiable B/L primarily containing routing details; usually used by truckers and freight forwarders.
- **Duplicate B/L**: Another original Bill of Lading set if first set is lost. Also known as reissued B/L.
- **Express B/L**: Non-negotiable B/L where there are no paper copies printed of originals.
- **Freight B/L**: A contract of carriage between a shipper and forwarder (who is usually a NVOCC); a non-negotiable document.
- **Government B/L (GBL)**: A bill of lading issued by the U.S. government.
- **Hitchment B/L**: B/L covering parts of a shipment which are loaded at more than one location. Hitchment B/L usually consists of two parts, hitchment and hitchment memo. The hitchment portion usually covers the majority of a divided shipment and carries the entire revenue.
- **House B/L**: B/L issued by a freight forwarder or consolidator covering a single shipment containing the names, addresses and specific description of the goods shipped.
- **Intermodal B/L**: B/L covering cargo moving via multimodal means. Also known as Combined Transport B/L, or Multimodal B/L.
- **Long Form B/L**: B/L form with all terms & conditions written on it. Most B/L’s are short form which incorporate the long form clauses by reference.
- **Memo B/L**: Unfreighted B/L with no charges listed.
- **Military B/L**: B/L issued by the U.S. military; also known as GBL, or Form DD1252.
• **Negotiable B/L**: The B/L is a title document to the goods, issued “to the order of” a party, usually the shipper, whose endorsement is required to affect a negotiation. Thus, a shipper’s order (negotiable) B/L can be bought, sold, or traded while goods are in transit and is commonly used for letter-of-credit transactions. The buyer must submit the original B/L to the carrier in order to take possession of the goods.

• **Non-Negotiable B/L**: Sometimes means a file copy of a B/L. See Straight B/L.

• “**Onboard**” B/L: B/L validated at the time of loading to transport. Onboard Air, Boxcar, Container, Rail, Truck and Vessel are the most common types.

• **Optional Discharge B/L**: B/L covering cargo with more than one discharge point option possibility.

• “**Order**” B/L: See Negotiable B/L.

• **Original B/L**: The part of the B/L set that has value, especially when negotiable; rest of set are only informational file copies. Abbreviated as OBL.

• **Received for Shipment B/L**: Validated at time cargo is received by ocean carrier to commence movement but before being validated as “Onboard.”

• **Reconciled B/L**: B/L set which has completed a prescribed number of edits between the shipper’s instructions and the actual shipment received. This produces a very accurate B/L.

• **Short Term B/L**: Opposite of Long Form B/L, a B/L without the terms & conditions written on it. Also known as a Short Form B/L. The terms are incorporated by reference to the long form B/L.

• **Split B/L**: One of two or more B/L’s which have been split from a single B/L.

• **Stale B/L**: A late B/L; in banking, a B/L which has passed the time deadline of the Letter of Credit (L/C) and is void.

• **Straight (Consignment) B/L**: Indicates the shipper will deliver the goods to the consignee. It does not convey title (non-negotiable). Most often used when the goods have been pre-paid.

• “**To Order**” B/L: See Negotiable B/L.

• **Unique B/L Identifier**: U.S. Customs’ standardization: four–alpha code unique to each carrier placed in front of nine-digit B/L number; APL’s unique B/L Identifier is “APLU”. Sea–land uses “SEAU”. These prefixes are also used as the container identification.

• **Voided B/L**: Related to Consolidated B/L; those B/L’s absorbed in the combining process. Different from Canceled B/L.

**Bill of Lading Port of Discharge**
Port where cargo is discharged from means of transport.

**Bill of Sale**
Confirms the transfer of ownership of certain goods to another person in return for money paid or loaned.

**Bill to Party**
Customer designated as party paying for services.

**Billed Weight**
The weight shown in a waybill and freight bill, i.e., the invoiced weight.

**BIMCO**
The Baltic and International Maritime Council, the world’s largest private shipping organization.

**Blanket Bond**
A bond covering a group of persons, articles or properties.
**Blanket Rate**
- A rate applicable to or from a group of points.
- A special rate applicable to several different articles in a single shipment.

**Blanket Waybill**
A waybill covering two or more consignments of freight.

**Blind Shipment**
A B/L wherein the paying customer has contracted with the carrier that shipper or consignee information is not given.

**Block Stowage**
Stowing cargo destined for a specific location close together to avoid unnecessary cargo movement.

**Blocked Trains**
Railcars grouped in a train by destination so that segments (blocks) can be uncoupled and routed to different destinations as the train moves through various junctions. Eliminates the need to break up a train and sort individual railcars at each junction.

**Blocking or Bracing**
Wood or metal supports to keep shipments in place to prevent cargo shifting.
See also Dunnage.

**Bl's.**
Abbreviation for “Bales.”

**Board**
To gain access to a vessel.

**Board Feet**
The basic unit of measurement for lumber. One board foot is equal to a one-inch thick board, 12 inches wide and 1 foot long. Thus, a board 10 feet long, 12 inches wide, and 1 inch thick contains 10 board feet.

**Boat**
A relatively small, usually open craft/vessel for traveling on water.

**Bobtail**
Movement of a tractor, without trailer, over the highway.

**Bogie**
A set of wheels built specifically as rear wheels under the container.

**Bolster**
A device fitted on a chassis or railcar to hold and secure the container.

**Bond**
In international trade, the security posted with Customs to allow freight access to that market.

**Bond Port**
Port of initial Customs entry of a vessel into any country. Also known as First Port of Call.

**Bonded Freight**
Freight moving under a bond to U.S. Customs or to the Internal Revenue Service, to be delivered only under stated conditions.

**Bonded Warehouse**
A warehouse authorized by Customs authorities for storage of goods on which payment of duties is deferred until the goods are removed.
**Booking**
Arrangements with a carrier for the acceptance and carriage of freight; i.e., a space reservation.

**Booking Number**
Reservation number used to secure equipment and act as a control number prior to completion of a B/L.

**Bottom Side Rails**
Structural members on the longitudinal sides of the base of the container.

**Bottom-Air Delivery**
A type of air circulation in a temperature-controlled container. Air is pulled by a fan from the top of the container, passed through the evaporator coil for cooling, and then forced through the space under the load and up through the cargo. This type of airflow provides even temperatures.

**Bow**
The front of a vessel.

**Boxcar**
A closed rail freight car.

**Break Bulk**
– To unload and distribute a portion or all of the contents of a railcar, container, trailer or ship.
– Loose, non-containerized mark and count cargo.
– Packaged cargo that is not containerized.

**Bridge Point**
An inland location where cargo is received by the ocean carrier and then moved to a coastal port for loading.

**Bridge Port**
A port where cargo is received by the ocean carrier and stuffed into containers but then moved to another coastal port to be waded on a vessel.

**Broken Stowage**
– The loss of space caused by irregularity in the shape of packages.
– Any void or empty space in a vessel or container not occupied by cargo.

**Broker**
A person who arranges for transportation of loads for a percentage of the revenue from it.

**Brokerage**
Freight forwarder/broker compensation as specified by ocean tariff or contract.

**Bulk Cargo**
Not in packages or containers; shipped loose in the hold of a ship without mark and count. Grain, coal and sulfur are usually bulk freight.

**Bulk-Freight Container**
A container with a discharge hatch in the front wall that allows bulk commodities to be carried.

**Bulkhead**
A partition separating one part of a ship, freight car, aircraft or truck from another.

**Bull Rings**
Cargo-securing devices mounted in the floor of containers that allows for lashing and securing of cargo.
Bunker Charge
An extra charge sometimes added to steamship freight rates that is justified by higher fuel costs. Also known as Fuel Adjustment Factor or FAF.

Bunkers
A maritime term referring to fuel used aboard the ship. In the past, fuel coal stowage areas aboard a vessel were in bins or bunkers.

Bureau Veritas
A French classification society which certifies seagoing vessels for compliance with standardized rules governing construction and maintenance.

C

C&F Terms of Sale, or Incoterms
Obsolete, although heavily used, sales term meaning "cargo and freight" under which the seller pays for the cost of goods and freight charges up to destination port. In July 1990, the International Chamber of Commerce replaced C&F with CFR.

Cabotage
Water transportation term that applies to shipments between ports of a nation; commonly refers to coastwise or intercoastal navigation or trade. Many nations, including the United States, have cabotage laws which require national flag vessels to provide domestic interport service.

CAF
Abbreviation for “Currency Adjustment Factor.” A charge, expressed as a percentage of a base rate, that is applied to compensate ocean carriers for currency fluctuations.

Capesize Vessel
A dry bulk vessel above 80,000dwt or whose beam prevents it from passing through the Panama Canal and forces it to pass around Cape Horn or the Cape of Good Hope.

Captain’s Protest
A document prepared by the captain of a vessel on arriving at port; shows conditions encountered during voyage, generally for the purpose of relieving ship owner of any loss to cargo and shifting responsibility for reimbursement to the insurance company.

Car Pooling
Use of individual carrier/rail equipment through a central agency for the benefit of carriers and shippers.

Car Seal
Metal strip and lead fastener used for locking freight car or truck doors. Seals are numbered for record purposes.

Carfloat
A barge equipped with tracks on which up to approximately 12 railroad cars are moved in harbors or inland waterways.

Cargo
Freight loaded into a ship.

Cargo Manifest
A manifest that lists all cargo carried on a specific vessel voyage.

Cargo NOS
Cargo Not Otherwise Specified. Usually the rate entry in a tariff that can apply to commodities not covered under a specific item or sub-item in the applicable tariff.
**Cargo Preference**
Cargo reserved by a nation’s laws for transportation only on vessels registered in that Nation. Typically, the cargo is moving due to a direct or indirect support or activity of the government.

**Cargo Tonnage**
Most ocean freight is billed on the basis of weight or measurement tons (W/M). Weight tons can be expressed in short tons of 2000 pounds, long tons of 2240 pounds or metric tons of 1000 kilos (2204.62 pounds). Measurement tons are usually expressed as cargo measurement of 40 cubic feet (1.12 meters) or cubic meters (35.3 cubic feet.)

**Carload Rate**
A rate applicable to a carload of goods.

**Carnet**
A customs document permitting the holder to temporarily carry or send merchandise into certain foreign countries (for display, demonstration or similar purposes) without paying duties or posting bonds. Any of various Customs documents required for crossing some international borders.

**Carrier**
Any person or entity who, in a contract of carriage, undertakes to perform or to procure the performance of carriage by rail, road, sea, air, inland waterway or by a combination of such modes.

**Carrier’s Certificate**
A certificate required by U.S. Customs to release cargo properly to the correct party.

**Cartage**
Usually refers to intra-city hauling on drays or trucks. Same as drayage.

**Cartment**
Customs form permitting in-bond cargo to be moved from one location to another under Customs control, within the same Customs district. Usually in motor carrier’s possession while draying cargo.

**Cash Against Documents (CAD)**
Method of payment for goods in which documents transferring title are given the buyer upon payment of cash to an intermediary acting for the seller, usually a commission house.

**Cash in Advance (CIA)**
A method of payment for goods in which the buyer pays the seller in advance of the shipment of goods. Usually employed when the goods, such as specialized machinery, are built to order.

**Cash with Order (CWO)**
A method of payment for goods in which cash is paid at the time of order and the transaction becomes binding on both buyer and seller.

**CBM (CM)**
Abbreviation for “Cubic Meter.”

**CE**
Abbreviation for “Consumption Entry.” The process of declaring the importation of foreign–made goods for use in the United States.

**Cells**
The construction system employed in container vessels. It permits ship containers to be stowed in a vertical line with each container supporting the one above it.
**Center of Gravity**
The point of equilibrium of the total weight of a containership, truck, train or a piece of cargo.

**Certificate of Inspection**
– A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to its shipment.
– The document issued by the U.S. Coast Guard certifying an American flag vessel’s compliance with applicable laws and regulations.

**Certificate of Origin**
A certified document showing the origin of goods; used in international commerce.

**CFS**
Abbreviation for “Container Freight Station.” A shipping dock where cargo is loaded (“stuffed”) into or unloaded (“stripped”) from containers. Generally, this involves less than container load shipments, although small shipments destined to same consignee are often consolidated. Container reloading from/to rail or motor carrier equipment is a typical activity. These facilities can be located in container yards, or off dock.

**Charter Party**
A written contract between the owner of a vessel and the person desiring to employ the charterer; sets forth the terms of the arrangement, such as duration of agreement, freight rate and ports involved in the trip.

**Chassis**
A frame with wheels and container locking devices in order to secure the container for movement.

**Chock**
A piece of wood or other material placed at the side of cargo to prevent rolling or moving sideways.

**CCC Mark**
A mark or label indicating the cargo conforms to standards required by China for certain products.

**CE Mark**
A mark or label indicating the cargo conforms to standards required by the European Union for certain products.

**CI**
Abbreviation for “Cost and Insurance.” A price that includes the cost of the goods, the marine insurance and all transportation charges except the ocean freight to the named point of destination.

**CIF (Named Port)**
Abbreviation for “Cost, Insurance, Freight.” (Named Port) Same as C&F or CFR except seller also provides insurance to named destination.

**CIF&C**
Price includes commission as well as CIF.

**CIF&E**
Abbreviation for “Cost, Insurance, Freight and Exchange.”

**CIFCI**
Abbreviation for “Cost, Insurance, Freight, Collection and Interest.”

**CIFII&E**
Abbreviation for “Cost, Insurance, Freight, Interest and Exchange.”

**CKD**
Abbreviation for “Completely Knocked Down.” Parts and subassemblies being transported to an assembly plant.
CL
Abbreviation for “Carload” and “Containerload.”

Claim
A demand made upon a transportation line for payment on account of a loss sustained through its alleged negligence.

Classification
A publication, such as Uniform Freight Classification (railroad) or the National Motor Freight Classification (motor carrier), that assigns ratings to various articles and provides bill of lading descriptions and rules.

Classification Rating
The designation provided in a classification by which a class rate is determined.

Classification Society
An organization maintained for the surveying and classing of ships so that insurance underwriters and others may know the quality and condition of the vessels offered for insurance or employment.
See also ABS, BV, DNV, LR and NK.

Classification Yard
A railroad yard with many tracks used for assembling freight trains.

Clayton Act
An anti-trust act of the U.S. Congress making price discrimination unlawful.

Clean Bill of Lading
A receipt for goods issued by a carrier with an indication that the goods were received in “apparent good order and condition,” without damage or other irregularities. If no notation or exception is made, the B/L is assumed to be “cleaned.”

Cleaning in Transit
The stopping of articles, such as peanuts, etc., for cleaning between the point of origin and destination.

Clearance Limits
The size beyond which cars or loads cannot use bridges, tunnels, etc.

Cleat
A strip of wood or metal used to provide additional strength, prevent warping or hold in place.

Clip-On
Refrigeration equipment attachable to an insulated container that does not have its own refrigeration unit.

CM
Abbreviation for “Cubic Meter” (capital letters).

cm
Abbreviation for “centimeter.”

Coastwise
Water transportation along the coast.

COD
Abbreviation for:
– Collect (cash) on Delivery.
– Carried on Docket (pricing).

COFC
Abbreviation for the Railway Service “Container on Flat Car.”
COGSA

Collecting
A bank that acts as an agent to the seller’s bank (the presenting bank). The collecting bank assumes no responsibility for either the documents or the merchandise.

Collection
A draft drawn on the buyer, usually accompanied by documents, with complete instructions concerning processing for payment or acceptance.

Combination Export Mgr.
A firm that acts as an export sales agent for more than one non-competing manufacturer.

Combination Rate
A rate made up of two or more factors, separately published.

Commercial Invoice
Represents a complete record of the transaction between exporter and importer with regard to the goods sold. Also reports the content of the shipment and serves as the basis for all other documents relating to the shipment.

Commercial Transport Vessel
Any ship which is used primarily in commerce
(1) For transporting persons or goods to or from any harbor(s) or port(s) or between places within a harbor area;
(2) In connection with the construction, change in construction, servicing, maintenance, repair, loading, unloading, movement, piloting or salvaging of any other ship or vessel.

Commodity
Article shipped. For dangerous and hazardous cargo, the correct commodity identification is critical.

Commodity Rate
A rate published to apply to a specific article or articles.

Common Carrier
A transportation company which provides service to the general public at published rates.

Common Law
Law that derives its force and authority from precedent, custom and usage rather than from statutes, particularly with reference to the laws of England and the United States.

Company Security Officer
Is the person designated by the company for ensuring that a ship security assessment is carried out and that a ship security plan is developed, submitted for approval and thereafter implemented and maintained for liaison with port facility security officers and the ship security officer.

Compulsory Ship
Any ship which is required to be equipped with radio telecommunication equipment in order to comply with the radio or radiavigation provisions of a treaty or statute to which the vessel is subject.

Concealed Damage
Damage that is not evident from viewing the unopened package.

Conference
An association of ship owners operating in the same trade route who operate under collective conditions and agree on tariff rates.
Confirmed Letter of Credit
A letter of credit, issued by a foreign bank, whose validity has been confirmed by a domestic bank. An exporter with a confirmed letter of credit is assured of payment even if the foreign buyer or the foreign bank defaults.

Confirming Bank
The bank that adds its confirmation to another bank’s (the issuing bank’s) letter of credit and promises to pay the beneficiary upon presentation of documents specified in the letter of credit.

Connecting Carrier
A carrier which has a direct physical connection with, or forms a link between, two or more carriers.

Connecting Carrier Agreement
A connecting carrier agreement is a contract between the originating carrier and a second party, where the second party agrees to carry goods to a final destination on a through bill of lading.

Consignee
A person or company to whom commodities are shipped.

Consignee Mark
A symbol placed on packages for identification purposes; generally, a triangle, square, circle, etc. with letters and/or numbers and port of discharge.

Consignment
(1) A stock of merchandise advanced to a dealer and located at his place of business, but with title remaining in the source of supply. (2) A shipment of goods to a consignee.

Consignor
A person or company shown on the bill of lading as the shipper.

Consolidation
Cargo containing shipments of two or more shippers or suppliers. Container load shipments may be consolidated for one or more consignees, often in container load quantities.

Consolidator
A person or firm performing a consolidation service for others. The consolidator takes advantage of lower full carload (FCL) rates and passes on the savings to shippers.

Construction Differential Subsidy
A program whereby the U.S. government attempted to offset the higher shipbuilding cost in the U.S. by paying up to 50 percent of the difference between cost of U.S. and non-U.S. construction. The difference went to the U.S. shipyard. It has been unfunded since 1982.

Consul
A government official residing in another country who represents the interests of her or his country and its nationals.

Consular Declaration
A formal statement describing goods to be shipped; filed with and approved by the consul of the country of destination prior to shipment.

Consular Invoice
A document, certified by a consular official, is required by some countries to describe a shipment. Used by international customs offices, to verify the value, quantity and nature of the cargo.
Consular Visa
An official signature or seal affixed to certain documents by the consul of the country of destination.

Consumption Entry (CE)
The process of declaring the importation of foreign-made goods into the United States for use in the United States.

Container
A truck trailer body that can be detached from the chassis for loading into a vessel, a railcar or stacked in a container depot. Containers may be ventilated, insulated, refrigerated, flat rack, vehicle rack, open top, bulk liquid or equipped with interior devices. A container may be 20 feet, 40 feet, 45 feet, 48 feet or 53 feet in length, 8'0" or 8'6" in width, and 8'6" or 9'6" in height.

Container Booking
Arrangements with a steamship line to transport containerized cargo.

Container Freight Station
See CFS.

Container Load
A load sufficient in size to fill a container either by cubic measurement or by weight.

Container Manifest
Document showing contents and loading sequence, point of origin and point of destination for a container. Vessels are required by law to carry such a document for each container carried.

Container Pool
An agreement between parties that allows the efficient use and supply of containers. A common supply of containers available to the shipper as required.

Container Security Initiative (CSI)
A U.S. cargo security program whereby containerized cargoes destined for the United States may be inspected on a selective basis at many foreign ports before loading on a vessel. As of October 2007, there were 51 approved ports. A multinational program, aligned with the President's "Strategy for Homeland Security," that extends the United States' zone of security by pre-screening containers that pose a potential security risk before they leave foreign ports for U.S. seaports.

Container Terminal
An area designated for the stowage of cargoes in container; usually accessible by truck, railroad and marine transportation. Here containers are picked up, dropped off, maintained and housed.

Container Yard (CY)
A materials-handling/storage facility used for completely unitized loads in containers and/or empty containers. Commonly referred to as CY.

Containerizable Cargo
Cargo that will fit into a container and result in an economical shipment.

Containerization
Stowage of general or special cargoes in a container for transport in the various modes.

Contingency Cargo Insurance (Unpaid Vendor)
A form of cargo insurance to protect a party not responsible to insure a shipment but has potential financial exposure in the transaction.

Contraband
Cargo that is prohibited.
Contract
A legally binding agreement between two or more persons/organizations to carry out reciprocal obligations or value.

Contract Carrier
Any person not a common carrier who, under special and individual contracts or agreements, transports passengers or property for compensation.

Controlled Atmosphere
Sophisticated, computer–controlled systems that manage the mixtures of gases within a container throughout an intermodal journey reducing decay.

Corner Posts
Vertical frame components fitted at the corners of the container, integral to the corner fittings and connecting the roof and floor structures. Containers are lifted and secured in a stack using the castings at the ends.

Correspondent Bank
A bank that, in its own country, handles the business of a foreign bank.

Cost, Insurance and Freight (CIF)
Cost of goods, marine insurance and all transportation (freight) charges are paid to the foreign point of delivery by the seller.

Countervailing Duty
An additional duty imposed to offset export grants, bounties or subsidies paid to international suppliers in certain countries by the government of that country for the purpose of promoting export.

Cross Member
Transverse members fitted to the bottom side rails of a container, which support the floor.

C–TPAT (Customs–Trade Partnership Against Terrorism)
A voluntary supply chain security partnership established by U.S. Customs and Border Protection in November 2001. Meeting the C–TPAT standards allows cargo owners faster processing through customs formalities and inspections.

Cu.
An abbreviation for “Cubic.” A unit of volume measurement.

Cube Out
When a container or vessel has reached its volumetric capacity before its permitted weight limit.

Cubic Foot
1,728 cubic inches. A volume contained in a space measuring one foot high, one foot wide and one foot long.

Customhouse
A government office where duties are paid, import documents filed, etc., on foreign shipments.

Customhouse Broker
A person or firm, licensed by the treasury department of their country and, when required, engaged in entering and clearing goods through Customs for a client (importer).

Customs
Government agency charged with enforcing the rules passed to protect the country’s import and export revenues.

Customs Bonded Warehouse
A warehouse authorized by Customs to receive duty-free merchandise.
**Customs Entry**
All countries require that the importer make a declaration on incoming foreign goods. The importer then normally pays a duty on the imported merchandise. The importer's statement is compared against the carrier's vessel manifest to ensure that all foreign goods are properly declared.

**Customs Invoice**
A form requiring all data in a commercial invoice along with a certificate of value and/or a certificate of origin. Required in a few countries (usually former British territories) and usually serves as a seller's commercial invoice.

**Customs of the Port (COP)**
A phrase often included in charter parties and freight contracts referring to local rules and practices which may impact upon the costs borne by the various parties.

**Customs–Trade Partnership Against Terrorism (C–TPAT)**
It is a voluntary supply chain security program, launched in November 2001 and led by U.S. Customs and Border Protection (CBP) which focuses on improving the security of private companies' supply chains with respect to terrorism. In exchange for companies' participation CBP will provide reduced inspections at the port of arrival, expedited processing at the border and penalty mitigation.

**Cut-Off Time**
The latest time cargo may be delivered to a terminal for loading to a scheduled train or ship.

**Cwt.**
Hundred weight (United States, 100 pounds; U.K.,112).

**CY**
Abbreviation for:
- Container Yard.
- The designation for full container receipt/delivery.

**D**

**D&H**
Abbreviation for “Dangerous and Hazardous” cargo.

**DBA**
Abbreviation for “Doing Business As.” A legal term for conducting business under a registered name.

**DDC**
Abbreviation for “Destination Delivery Charge.” A charge based on container size that is applied in many tariffs to cargo. This charge is considered accessorial and is added to the base ocean freight. This charge covers crane lifts off the vessel, drayage of the container within the terminal and gate fees at the terminal operation.

**Deadhead**
One leg of a move without a paying cargo load. Usually refers to repositioning an empty piece of equipment.

**Deadweight Cargo**
A long ton of cargo that can be stowed in less than 40 cubic feet.

**Deadweight Tonnage (DWT)**
The number of tons of 2,240 pounds that a vessel can transport of cargo, stores and bunker fuel. It is the difference between the number of tons of water a vessel displaces “light” and the number of tons it displaces when submerged to the “load line.” An approximate conversion ratio is 1NT = 1.7GT and 1GT = 1.5DWT.

**Deconsolidation Point**
Place where loose or other non-containerized cargo is ungrouped for delivery.
**Deficit Weight**
The weight by which a shipment is less than the minimum weight.

**Delivery Instructions**
Order to pick up goods at a named place and deliver them to a pier. Usually issued by exporter to trucking company but may apply to a railroad, which completes delivery by land. Use is limited to a few major U.S. ports. Also known as shipping delivery order.

**DEMDES**
Demurrage/Despatch money. (Under vessel chartering terms, the amount to be paid if the ship is loading/discharging slower/faster than foreseen.)

**Demurrage**
A penalty charge against shippers or consignees for delaying the carrier’s equipment or vessel beyond the allowed free time. The free time and demurrage charges are set forth in the charter party or freight tariff. 
*See also Detention and Per Diem.*

**Density**
The weight of cargo per cubic foot or another unit.

**Depot, Container**
Container freight station or a designated area where empty containers can be picked up or dropped off.

**Despatch**
An incentive payment paid by the vessel to the charterer for loading and unloading the cargo faster than agreed. Usually negotiated only in charter parties. Also called “dispatch.”

**Destination**
– The place to which a shipment is consigned.
– The place where carrier actually turns over cargo to consignee or his agent.

**Destination Control Statements**
Various statements that the U.S. government requires to be displayed on export shipments. The statements specify the authorized destinations.

**Det Norske Veritas**
A Norwegian classification society which certifies seagoing vessels for compliance to standardized rules regarding construction and maintenance.

**Detention**
A penalty charge against shippers or consignees for delaying carrier’s equipment beyond allowed time. Demurrage applies to cargo; detention applies to equipment. 
*See Per Diem.*

**Devanning**
The unloading of a container or cargo van.

**DF Car**
Damage-Free Car. Boxcars equipped with special bracing material.

**Differential**
An amount added or deducted from base rate to make a rate to or from some other point or via another route.

**Discrepancy Letter of Credit**
When documents presented do not conform to the requirements of the letter of credit (L/C), it is referred to as a “discrepancy.”
Banks will not process L/Cs which have discrepancies. They will refer the situation back to the buyer and/or seller and await further instructions.

**Dispatch**
*See Despatch.*

**Displacement**
The weight, in tons of 2,240 pounds, of the vessel and its contents. Calculated by dividing the volume of water displaced in cubic feet by 35, the average density of sea water.

**Diversion**
A change made either in shipping route (see Reconsignment) or of the entire ship.

**Division**
Carriers’ practice of dividing revenue received from rates where joint hauls are involved. This is usually according to agreed formulae.

**Dock**
- For ships, a cargo handling area parallel to the shoreline where a vessel normally ties up.
- For land transportation, a loading or unloading platform at an industrial location or carrier terminal.

**Dock Receipt**
A form used to acknowledge receipt of cargo and often serves as basis for preparation of the ocean bill of lading.

**Dockage**
Refers to the charge assessed against the vessel for berthing at the facility or for mooring to a vessel.

**Docket**
Present a rate proposal to a conference meeting for adoption as a conference group rate.

**Documents Against Acceptance (D/A)**
Instructions given by a shipper to a bank indicating that documents transferring title to goods should be delivered to the buyer upon the buyer’s acceptance of the attached draft.

**Documents Against Payment (D/P)**
An indication on a draft that the documents attached are to be released to the drawee only on payment.

**Dolly**
A set of wheels that support the front of a container; used when the automotive unit is disconnected.

**Door-to-Door**
Through transportation of a container and its contents from consignor to consignee. Also known as House to House. Not necessarily a through rate.

**D.O.T.**
U.S. Department of Transportation. The executive branch department that coordinates and oversees transportation functions in the United States.

**Draft**
- The number of feet that the hull of a ship is beneath the surface of the water.
- An unconditional order in writing, addressed by one party (drawer) to another party (drawee), requiring the drawee to pay at a fixed or determinable future date a specified sum in lawful currency to the order of a specified person.

**Draft, Bank**
An order issued by a seller against a purchaser; directs payment, usually through an intermediary bank. Typical bank drafts are
negotiable instruments and are similar in many ways to checks on checking accounts in a bank.

**Draft, Clean**  
A draft to which no documents are attached.

**Draft, Date**  
A draft that matures on a fixed date, regardless of the time of acceptance.

**Draft, Discounted**  
A time draft under a letter of credit that has been accepted and purchased by a bank at a discount.

**Draft, Sight**  
A draft payable on demand upon presentation.

**Draft, Time**  
A draft that matures at a fixed or determinable time after presentation or acceptance.

**Drawback**  
A partial refund of an import fee. The refund usually stems from goods being re-exported from the country that collected the fee.

**Drawee**  
The individual or firm that issues a draft and thus stands to receive payment.

**Drayage**  
Charge made for local hauling by dray or truck. Same as Cartage.

**DRFS**  
Abbreviation for “Destination Rail Freight Station.” Same as CFS at destination, except a DRFS is operated by the rail carrier participating in the shipment.

**Dry Cargo**  
Cargo that is not liquid and normally does not require temperature control.

**Dry-Bulk Container**  
A container constructed to carry grain, powder and other free-flowing solids in bulk. Used in conjunction with a tilt chassis or platform.

**DSU**  
Delay in Startup Insurance is a policy to protect the seller of a construction project from penalties if the project is not completed on time. See “Liquidated Damages.”

**Dumping**  
Attempting to import merchandise into a country at a price less than the fair market value, usually through subsidy by exporting country.

**Dunnage**  
Any material or objects utilized to protect cargo. Examples of dunnage are blocks, boards, burlap and paper.

**Dutiable Value**  
The amount on which an Ad Valorem or customs duty is calculated.

**Duty**  
Collected tax by Customs.

**DWT**  
*See Deadweight Tonnage.*
E.C.M.C.A.
Eastern Central Motor Carriers Association.

ECMC
The U.S. Exporters Competitive Maritime Council. An association primarily of U.S. engineering, procurement and construction companies and their freight forwarders that was formed jointly by the Maritime Administration in 1997 to seek solutions to transportation problems and enhance the export of U.S. project cargoes.

Edge Protector
An angle piece fitted over the edge of boxes, crates, bundles and other packages to prevent the pressure from metal bands or other types from cutting into the package.

EDI
Abbreviation for “Electronic Data Interface.” Generic term for transmission of transactional data between computer systems. EDI is typically via a batched transmission, usually conforming to consistent standards.

EDIFACT
International data interchange standards sponsored by the United Nations. See UN/EDIFACT.

Elevating
– A charge for services performed in connection with floating elevators.
– Charges assessed for the handling of grain through grain elevators.

Elkins Act
An act of Congress (1903) prohibiting rebates, concession, misbilling, etc. and providing specific penalties for such violations.

Embargo
Order to restrict the hauling of freight.

Eminent Domain
The sovereign power to take property for a necessary public use, with reasonable compensation.

Empty Repo
Contraction for Empty Repositioning. The movement of empty containers.

Endorsement
A legal signature usually placed on the reverse of a draft; signifies transfer of rights from the holder to another party.

Entry
Customs documents required to clear an import shipment for entry into the general commerce of a country.

Equalization
A monetary allowance to the customer for picking up or delivering at a point other than the destination shown on the bill of lading. This provision is covered by tariff publication.

Equipment Interchange Receipt (EIR)
A document transferring a container from one carrier to another, or to/from a terminal.

ETA, C, D, R, S
– Estimated Time of Arrival, Completion, Departure, Readiness, or Sailing
– Estimated Time of Availability. That time when a tractor/partner carrier is available for dispatch.
**Ethylene**
A gas produced by many fruits and vegetables that accelerates the ripening and aging processes.

**E.W.I.B.**
Eastern Weighing and Inspection Bureau.

**“Ex Dec”**
Contraction for “Shipper’s Export Declaration.”

**Ex – “From”**
When used in pricing terms such as “Ex Factory” or “Ex Dock,” it signifies that the price quoted applies only at the point of origin indicated.

**Exception**
Notations made when the cargo is received at the carrier’s terminal or loaded aboard a vessel. They show any irregularities in packaging or actual or suspected damage to the cargo. Exceptions are then noted on the bill of lading.

**EXIM Bank**
Abbreviation for Export–Import Bank of the United States. An independent U.S. government agency which facilitates exports of U.S. goods by providing loan guarantees and insurance for repayment of bank-provided export credit.

**Expiry Date**
Issued in connection with documents such as letters of credit, tariffs, etc. to advise that stated provisions will expire at a certain time.

**Export**
Shipment of goods to a foreign country.

**Export Declaration**
A government document declaring designated goods to be exported. This document is completed by the exporter and filed with the U.S. Government.

**Export License**
A government document which permits the “Licensee” to engage in the export of designated goods to certain destinations.

**Export Rate**
A rate published on traffic moving from an interior point to a port for transshipment to a foreign country.

**Ex Works**
An Incoterm of sale meaning the seller delivers to the buyer at seller’s named premises.

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**F**

**Factor**
A factor is an agent who will, at a discount (usually five to eight percent of the gross), buy receivables.

**FAK**
Abbreviation for “Freight All Kinds.” Usually refers to full container loads of mixed shipments.

**False Billing**
Misrepresenting freight or weight on shipping documents.

**FAS**
Abbreviation for “Free Alongside Ship.”
FCL
Abbreviation for “Full Container Load."

FD
Abbreviation for “Free Discharge.”

FDA
Food and Drug Administration.

Feeder Service
Cargo to/from regional ports is transferred to/from a central hub port for a long-haul ocean voyage.

Feeder Vessel
A short–sea vessel which transfers cargo between a central “hub” port and smaller “spoke” ports.

FEU
Abbreviation for “Forty-Foot Equivalent Units.” Refers to container size standard of 40 feet. Two 20-foot containers or TEU’s equal one FEU.

Fifth Wheel
The semi-circular steel coupling device mounted on a tractor which engages and locks with a chassis semi-trailer.

FIO
See Free In and Out.

Firkin
A capacity measurement equal to one-fourth of a barrel.

Fixed Costs
Costs that do not vary with the level of activity. Some fixed costs continue even if no cargo is carried. Terminal leases, rent and property taxes are fixed costs.

Flat Car
A railcar without a roof and walls.

Flat Rack/Flat Bed Container
A container with no sides and frame members at the front and rear. Container can be loaded from the sides and top.

FMC
Federal Maritime Commission. The U.S. governmental regulatory body responsible for administering maritime affairs including the tariff system, freight forwarder licensing, enforcing the conditions of the Shipping Act and approving conference or other carrier agreements.

FOB
See Free on Board. See also Terms of Sale

FOR
Abbreviation for “Free on Rail.”

Force Majeure
The title of a common clause in contracts, exempting the parties for non-fulfillment of their obligations as a result of conditions beyond their control, such as earthquakes, floods or war.

Fore and Aft
The direction on a vessel parallel to the center line.
**Foreign Sales Corporation**  
Under U.S. tax law, a corporation created to obtain tax exemption on part of the earnings of U.S. products in foreign markets. Must be set-up as a foreign corporation with an office outside the USA.

**Foreign Trade Zone**  
A free port in a country divorced from customs authority but under government control. Merchandise, except that which is prohibited, may be stored in the zone without being subject to import duty regulations.

**Forklift**  
A machine used to pick up and move goods loaded on pallets or skids.

**Forwarder Compensation**  
*See Brokerage.*

**Foul Bill of Lading**  
A receipt for goods issued by a carrier with an indication that the goods were damaged when received. Compare Clean Bill of Lading.

**Four-Way Pallet**  
A pallet designed so that the forks of a forklift truck can be inserted from all four sides. *See Forklift.*

**FPA**  
*See Free of Particular Average.*

**FPPI**  
Foreign Principal Party of Interest.  
The party to whom final delivery or end use of the exported goods will be made, usually the buyer.

**Free Alongside (FAS)**  
The seller must deliver the goods to a pier and place them within reach of the ship's loading equipment. *See Terms of Sale.*

**Free Astray**  
An astray shipment (a lost shipment that is found) sent to its proper destination without additional charge.

**Free Carrier (FCA)**  
An Incoterm of sale meaning the seller has delivered when the cargo is given to the carrier nominated by the buyer at the named place.

**Free In and Out (FIO)**  
Cost of loading and unloading a vessel is borne by the charterer/shipper.

**Free of Particular Average (FPA)**  
A marine insurance term meaning that the assurer will not allow payment for partial loss or damage to cargo shipments except in certain circumstances, such as stranding, sinking, collision or fire.

**Free on Board (FOB – U.S. Domestic Use)**  
Shipped under a rate that includes costs of delivery to and the loading onto a carrier at a specified point.  
- **FOB Freight Allowed:** The same as FOB named inland carrier, except the buyer pays the transportation charge and the seller reduces the invoice by a like amount.  
- **FOB Freight Prepaid:** The same as FOB named inland carrier, except the seller pays the freight charges of the inland carrier.  
- **FOB Named Point of Exportation:** Seller is responsible for the cost of placing the goods at a named point of exportation. Some European buyers use this form when they actually mean FOB vessel.  
- **FOB Vessel:** Seller is responsible for goods and preparation of export documentation until actually placed aboard the vessel.
Free on Board (Int’l Use)
See Terms of Sale.

Free Out (FO)
Cost of unloading a vessel is borne by the charterer.

Free Port
A restricted area at a seaport for the handling of duty-exempted import goods. Also called a Foreign Trade Zone.

Free Sale Certificate
The U.S. government does not issue certificates of free sale. However, the FDA, Silver Spring, Maryland, will issue, upon request, a letter of comment to the U.S. manufacturers whose products are subject to the Federal Food, Drug and Cosmetic Act or other acts administered by the agency. The letter can take the place of the certificate.

Free Time
That amount of time that a carrier’s equipment may be used without incurring additional charges. (See Storage, Demurrage or Per Diem.)

Free Trade Zone
A port designated by the government of a country for duty-free entry of any non-prohibited goods. Merchandise may be stored, displayed, used for manufacturing, etc., within the zone and re-exported without duties.

Freight
Refers to either the cargo carried or the charges assessed for carriage of the cargo.

Freight Bill
A document issued by the carrier based on the bill of lading and other information; used to account for a shipment operationally, statistically and financially. An Invoice.

Freight Forwarder
A person whose business is to act as an agent on behalf of the shipper. A freight forwarder frequently makes the booking reservation. In the United States, freight forwarders are now licensed by the FMC as “Ocean Intermediaries.”

Freighters
See Ships.

Full and Down
An expression to describe a loaded vessel carrying cargoes of such a volume and weight that it fills all the vessel’s spaces and also brings her down to her tonnage load line. A rare but optimum revenue condition for a vessel operator.

Full Shipload Lot
The amount of cargo a vessel carries or is able to carry. Practically, it is the amount of cargo which induces the specific voyage. While the cargo lot may take up the majority of the vessel’s space or tonnage capacity, it does not require a vessel’s volume and weight capacity to be fully utilized.

G

Gateway
Industry-related: A point at which freight moving from one territory to another is interchanged between transportation lines.

GATT
General Agreement on Tariffs and Trade. A multilateral treaty to help reduce trade barriers between the signatory countries and to promote trade through tariff concessions. The World Trade Organization (WTO) superseded GATT in 1994.
**GBL**
Abbreviation for “Government Bill of Lading.”

**GDSM**
Abbreviation for “General Department Store Merchandise.” A classification of commodities that includes goods generally shipped by mass-merchandise companies. This commodity structure occurs only in service contracts.

**General Order (G.O.)**
When U.S. Customs orders shipments without entries to be kept in their custody in a bonded warehouse.

**Generator Set (Gen Set)**
A portable generator which can be attached to a refrigerated container to power the refrigeration unit during transit.

**Global Maritime Intelligence Integration (GMII)**
It is within the Office of the Director of National Intelligence, with the mission of ensuring government-wide access to maritime information and data critical to intelligence production and to serve as the focal point and oversight agent for maritime specific information issues.

**Go-Down**
In the Far East, a warehouse where goods are stored and delivered.

**Gooseneck**
The front rails of the chassis that raise above the plane of the chassis and engage in the tunnel of a container leading to the connection to tractor.

**GRI**
General Rate Increase. Used to describe an across-the-board tariff rate increase implemented by conference members and applied to base rates.

**Gross Tonnage (GT)**
Applies to vessels, not to cargo, \((0.2+0.02 \log_{10}V)\) where \(V\) is the volume in cubic meters of all enclosed spaces on the vessel. Since 1994, it replaces “Gross Registered Tonnage.” An approximate conversion ratio is \(1\text{NT} = 1.7\text{GT}\) and \(1\text{GT} = 1.5\text{DWT}\).

**Gross Weight (GW)**
Entire weight of goods, packaging and freight car or container, ready for shipment. Generally, 80,000 pounds maximum container, cargo and tractor for highway transport.

**Groupage**
A consolidation service that puts small shipments into containers for shipment.

**GVW**
Gross Volume Weight. This combines the total weight of a vehicle and its container, inclusive of prime mover.

**H**

**Hague Rules, The**
A multilateral maritime treaty adopted in 1921 (at The Hague, Netherlands). Standardizes liability of an international carrier under the Ocean B/L. Establishes a legal “floor” for B/L. See COGSA.

**Handymax Vessel**
A dry bulk vessel of 35,000 to 49,000dwt. (Note that a “Handy” dry bulk carrier is from 10,000 to 34,000dwt.) A “Handy max Tanker” is a liquid bulk carrier of 10,000 to 60,000dwt.
Harbor
Any location where ships can get shelter; load or unload passengers or goods or get fuel, water or supplies.

Harbor Master
An official responsible for construction, maintenance, operation, regulation, enforcement, administration and management of marinas, ports and harbors.

Harmonized System of Codes (HS)
An international goods classification system for describing cargo in international trade under a single commodity-coding scheme. Developed under the auspices of the Customs Cooperation Council (CCC), an international Customs organization in Brussels, this code is a hierarchically structured product nomenclature containing approximately 5,000 headings and subheadings.

It is organized into 99 chapters arranged in 22 sections. Sections encompass an industry (e.g., Section XI, Textiles and Textile Articles); chapters encompass the various materials and products of the industry (e.g., Chapter 50, Silk; Chapter 55, Manmade Staple Fibers; Chapter 57, Carpets).

The basic code contains four-digit headings and six-digit subheadings. Many countries add digits for Customs tariff and statistical purposes. In the United States, duty rates will be the eight-digit level; statistical suffixes will be at the ten-digit level. The Harmonized System (HS) is the current U.S. tariff schedule (TSUSA) for imports and is the basis for the ten-digit Schedule B export code.

Hatch
The opening in the deck of a vessel that gives access to the cargo hold.

HAZMAT
An industry abbreviation for “Hazardous Material.”

Heavy-Lift Charge
A charge made for lifting articles too heavy to be lifted by a ship’s normal tackle.

High-Density Compression
Compression of a flat or standard bale of cotton to approximately 32 pounds per cubic foot. Usually applies to cotton exported or shipped coastwise.

Hitchment
The marrying of two or more portions of one shipment that originate at different locations, moving under one bill of lading, from one shipper to one consignee. Authority for this service must be granted by tariff publication. See Bill of Lading.

Hopper Barge
A barge which loads material dumped into it by a dredger and discharges the cargo through the bottom.

House-to-House
See Door-to-Door.

House-to-Pier
Cargo loaded into a container by the shipper under shipper’s supervision. When the cargo is exported, it is unloaded at the foreign pier destination.

Humping
The process of connecting a moving railcar with a motionless railcar within a rail classification yard in order to make up a train. The cars move by gravity from an incline or “hump” onto the appropriate track.

I

I/A
Abbreviation for “Independent Action.” The right of a conference member to publish a rate of tariff rule that departs from the Agreement’s common rate or rule.
ICC
Abbreviation for:
(1) “Interstate Commerce Commission”
(2) “International Chamber of Commerce”

IE
Stands for “Immediate Exit.” In the U.S., Customs IE Form is used when goods are brought into the U.S. and are to be immediately re-exported without being transported within the U.S.

I.M.C.O.
International Maritime Consultative Organization. A forum in which most major maritime nations participate and through which recommendations for the carriage of dangerous goods, bulk commodities and maritime regulations become internationally acceptable.

I.M.D.G. Code

Immediate Exportation
An entry that allows foreign merchandise arriving at one port to be exported from the same port without the payment of duty.

Import
To receive goods from a foreign country.

Import License
A document required and issued by some national governments authorizing the importation of goods.

In Bond
Cargo moving under Customs control where duty has not yet been paid.

In Gate
The transaction or interchange that occurs at the time a container is received by a rail terminal or water port from another carrier.

In Transit
In transit, or in passage.

Incentive Rate
A lower-than-usual tariff rate assessed because a shipper offers a greater volume than specified in the tariff. The incentive rate is assessed for that portion exceeding the normal volume.

Incoterms
The recognized abbreviation for the International Chamber of Commerce Terms of Sale. These terms were last amended, effective 1 January 2020. *See section at the back of this guide.*

Indemnity Bond
An agreement to hold a carrier harmless with regard to a liability.

Independent Action
Setting rate within a conference tariff that is different from the rate(s) for the same items established by other conference members.

Independent Tariff
Any rate tariffs that are not part of an agreement or conference system.
Inducement
Placing a port on a vessel's itinerary because the volume of cargo offered at that port justifies the cost of routing the vessel.

Inherent Vice
An insurance term referring to any defect or other characteristic of a product that could result in damage to the product without external cause (for example, instability in a chemical that could cause it to explode spontaneously). Insurance policies may exclude inherent vice losses.

Inland Carrier
A transportation line that hauls export or import traffic between ports and inland points.

Inspection Certificate
A certificate issued by an independent agent or firm attesting to the quality and/or quantity of the merchandise being shipped. Such a certificate is usually required in a letter of credit for commodity shipments.

Installment Shipments
Successive shipments are permitted under letters of credit. Usually they must take place within a given period of time.

Insulated Container
A container insulated on the walls, roof, floor and doors, to reduce the effect of external temperatures on the cargo.

Insulated Container Tank
The frame of a container constructed to hold one or more thermally insulated tanks for liquids.

Insurance with Average Clause
A clause that covers merchandise if the damage amounts to three percent or more of the insured value of the package or cargo. If the vessel burns, sinks or collides, all losses are fully covered. In marine insurance, the word average describes partial damage or partial loss.

Insurance, All-Risk
This type of insurance offers the shipper the broadest coverage available in covering against all losses that may occur in transit.

Insurance, General-Average
In water transportation, the deliberate sacrifice of cargo to make the vessel safe for the remaining cargo. Those sharing in the spared cargo proportionately cover the loss.

Insurance, Particular Average
A marine insurance term which refers to partial loss on an individual shipment from one of the perils insured against regardless of the balance of the cargo. Particular-average insurance can usually be obtained, but the loss must exceed a certain percentage of the insured value of the shipment—typically three to five percent—before a claim will be allowed by the company.

Interchange Point
A location where one carrier delivers freight to another.

Intercoastal
Water service between two coasts. In the U.S., this usually refers to water service between the Atlantic and Pacific or Gulf Coasts.

Interline Freight
Freight moving from origin to destination over the Freight lines of two or more transportation carriers.

Intermediate Point
A point located en route between two other points.

Intermodal
Used to denote movements of cargo containers interchangeably between transport modes, i.e., motor, rail, water and air carriers,
and where the equipment is compatible within the multiple systems.

**International Ship and Port Security Code (ISPS)**

It is an amendment to the Safety of Life at Sea (SOLAS) Convention (1974/1988) on minimum security arrangements for ships, ports and government agencies. Having come into force in 2004, it assigns responsibilities to governments, shipping companies, shipboard personnel and port/ facility personnel to “detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade.”

**In-Transit Entry (I.T.)**

Allows foreign merchandise arriving at one port to be transported in bond to another port, where a superseding entry is filed.

**Invoice**

An itemized list of goods shipped to a buyer that details quantities, prices, shipping charges, etc.

**Inward Foreign Manifest (IFM)**

A complete listing of all cargo entering the country of discharge. Required at all world ports and is the primary source of cargo control, against which duty is assessed by the receiving country.

**IPI**

Abbreviation for “Inland Point Intermodal.” Refers to inland points (non-ports) that can be served by carriers on a through bill of lading.

**Irrevocable Letter of Credit**

Letter of credit in which the specified payment is guaranteed by the bank if all terms and conditions are met by the drawee and which cannot be revoked without joint agreement of both the buyer and the seller.

**ISO**

International Standards Organization which deals in standards ranging from documentation to equipment packaging and labeling.

**Issuing Bank**

Bank that opens a straight or negotiable letter of credit and assumes the obligation to pay the bank or beneficiary if the documents presented are in accordance with the terms of the letter of credit.

**Issuing Carrier**

The carrier issuing transportation documents or publishing a tariff.

**J.T.**

Abbreviation for “Immediate Transport.” The document (prepared by the carrier) allows shipment to proceed from the port of entry in the U.S. to Customs clearing at the destination. The shipment clears Customs at its final destination. Also called an “In-Transit” Entry.

**J**

**Jacket**

A wood or fiber cover placed around containers like cans and bottles.

**Jacob’s Ladder**

A rope ladder suspended from the side of a vessel and used for boarding.

**Jettison**

Act of throwing cargo or equipment (jetsam) overboard when a ship is in danger.

**JIT**

Abbreviation for “Just in Time.” In this method of inventory control, warehousing is minimal or non-existent and the container is a movable warehouse and must arrive “just in time.”
Joint Rate
A rate applicable from a point on one transportation line to a point on another line, made by agreement and published in a single tariff by all transportation lines over which the rate applies.

K

KT
Kilo or metric ton. 1,000 kilos or 2,204.6 pounds.

Kilogram
1,000 grams or 2.2046 pounds.

King Pin
A coupling pin centered on the front underside of a chassis that couples to the tractor.

Knocked Down (KD)
Articles which are taken apart to reduce the cubic footage displaced or to make a better shipping unit and are to be re-assembled.

Knot
One nautical mile (6,076 feet or 1,852 meters) per hour. In the days of sail, speed was measured by tossing overboard a log which was secured by a line. Knots were tied into the line at intervals of approximately six feet. The number of knots measured was then compared against time it took to travel the distance of 1,000 knots on the line.

Known Loss
A loss discovered before or at the time of a shipment’s delivery.

L

L/C
Abbreviation for “Letter of Credit.”

Laden
Loaded aboard a vessel.

Lading
Refers to the freight shipped; the contents of a shipment.

Landbridge
Movement of cargo by water from one country through the port of another country and then using a railroad or truck to get to an inland port.

Landed Cost
The total cost of a goods to a buyer including the cost of transportation.

Landing Certificate
Certificate issued by consular officials of some importing countries at the point or place of export when the subject goods are exported under bond.

Landing Gear
A support fixed on the front part of a chassis (which is retractable); used to support the front end of a chassis when the tractor has been removed.

Lanemeter
Primarily used to indicate the cargo capacity of a roll-on/roll-off car carrier. It is one meter of deck with a width of 2.5 to 3.0 meters.
LASH
“Lighter Aboard Ship.” A specially constructed vessel equipped with an overhead crane for lifting specially designed barges and stowing them into cellular slots in an athwartship position.

LAYCAN (Laydays/Canceling (date))
Range of dates within which the hire contract must start.

LCL
Less Than Container Load. The quantity of freight which is less than that required for the application of a container load rate.

Letter of Credit (L/C)
A document, issued by a bank per instructions by a buyer of goods, authorizing the seller to draw money under specified terms. This is typically the receipt by the bank of certain documents within a given time. Some of the specific descriptions are:

- **Back-to-Back:** A new letter of credit issued to another beneficiary on the strength of a primary credit. The second L/C uses the first L/C as collateral for the bank. Used in a three-party transaction.
- **Clean:** A letter of credit that requires the beneficiary to present only a draft or a receipt for specified funds before receiving payment.
- **Confirmed:** An L/C guaranteed by both the issuing and advising banks of payment so long as seller’s documents are in order, and the L/C terms are met. Only applied to irrevocable L/C’s. The confirming bank assumes the credit risk of the issuing bank.
- **Deferred Payment:** A letter of credit issued for the purchase and financing of merchandise, similar to acceptance-type letter of credit, except that it requires presentation of sight drafts payable on an installment basis.
- **Irrevocable:** An instrument that, once established, cannot be modified or canceled without the agreement of all parties concerned.
- **Non-cumulative:** A revolving letter of credit that prohibits the amount not used during the specific period from being available afterward.
- **Restricted:** A condition within the letter of credit which restricts its negotiation to a named bank.
- **Revocable:** An instrument that can be modified or canceled at any moment without notice to and agreement of the beneficiary. But typically also includes a clause in the credit stating that any draft negotiated by a bank prior to the receipt of a notice of revocation or amendment will be honored by the issuing bank. This is
  - **Revolving:** An irrevocable letter issued for a specific amount; renews itself for the same amount over a given period.
- **Straight:** A letter of credit that contains a limited engagement clause which states that the issuing bank promises to pay the beneficiary upon presentation of the required documents at its counters or the counters of the named bank.
- **Transferable:** A letter of credit that allows the beneficiary to transfer in whole or in part to another beneficiary any amount which, in aggregate, of such transfers does not exceed the amount of the credit. Used by middlemen.
- **Unconfirmed:** A letter of credit forwarded to the beneficiary by the advising bank without engagement on the part of the advising bank.

Letter of Indemnity
In order to obtain the clean bill of lading, the shipper signs a letter of indemnity to the carrier on the basis of which may be obtained the clean bill of lading, although the dock or mate’s receipt showed that the shipment was damaged or in bad condition.

Licenses
– Some governments require certain commodities to be licensed prior to their being exported or imported. Clauses attesting to compliance are often required on the B/L.
– Various types issued for export (general, validated) and import as mandated by government(s).

Lien
A legal claim on goods for the satisfaction of some debt or duty.
Lighter
An open or covered barge towed by a tugboat and used mainly in harbors and inland waterways to carry cargo to/from alongside a vessel.

Lightening
A vessel discharges part of its cargo at anchor into a lighter to reduce the vessel’s draft so it can then get alongside a pier.

Lighterage
Refers to carriage of goods by lighter.

Liner
A vessel advertising sailings on a specified trade route on a regular basis. It is not necessary that every named port be called on every voyage.

Line-Haul
Transportation from one city to another that differs from local switching service.

List
The amount in degrees that a vessel tilts from the vertical.

Liter
1.06 liquid U.S. quarts or 33.9 fluid ounces.

Liquidated Damages
The penalty a seller must pay if the construction project does not meet contractual standards or deadlines.

Lloyds’ Registry
An organization maintained for the surveying and classing of ships so that insurance underwriters and others may know the quality and condition of the vessels offered for insurance or employment.

LNG (Liquefied Natural Gas)
Natural gas will liquefy at a temperature of approximately -259°F or -160°C at atmospheric pressure. One cubic foot of liquefied gas will expand to approximately 600 cubic feet of gas at atmospheric pressure.

LNGC (LNG Carrier)
An oceangoing ship specially constructed to carry LNG in tanks at -160°C. Current average carrying capacity of LNGs is 125,000 cubic meters. Many LNGCs under construction or on order are in the 210,000 – 215,000 cubic meter range.

Load Line
The waterline corresponding to the maximum draft to which a vessel is permitted to load, either by freeboard regulations, the conditions of classification or the conditions of service. See also Plimsoll Mark.

Local Cargo
Cargo delivered to/from the carrier where its origin/destination is in the local area.

Long Ton
2,240 pounds.

Longshoreman
Individual employed in a port to load and unload ships.

Loose
Without packing.
Low-Boy
A trailer or semitrailer with no sides and with the floor of the unit close to the ground

LTL
Less Than Truckload.

Malpractice
A carrier giving a customer illegal preference to attract cargo. This can take the form of a money refund (rebate); using lower figures than actual for the assessment of freight charges (undercubing); misdeclaration of the commodity shipped to allow the assessment of a lower tariff rate; waiving published tariff charges for demurrage, CFS handling or equalization; providing specialized equipment to a shipper to the detriment of other shippers, etc.

Mandamus
A writ issued by a court that requires specific actions be taken.

Manifest
Document that lists in detail all the bills of lading issued by a carrier or its agent or master for a specific voyage. A detailed summary of the total cargo of a vessel. Used principally for Customs purposes.

Marine Insurance
Broadly, insurance covering loss or damage of goods at sea. Marine insurance typically compensates the owner of merchandise for losses sustained from fire, shipwreck, etc., but excludes losses that can be recovered from the carrier.

Maritime
Business pertaining to commerce or navigation transacted upon the sea or in seaports in which the court of admiralty has jurisdiction.

Maritime Domain
It is all areas and things of, on, under, relating to, adjacent to or bordering on a sea, ocean or other navigable waterway, including all maritime related activities, infrastructure, people, cargo, vessels and other conveyances.

Maritime Domain Awareness (MDA)
The understanding that anything associated with the global maritime domain can impact the security, safety, economy or environment of the United States.

Maritime Security and Safety Information System (MSSIS)
It shares and displays vessel Automated Identification System (AIS) data real-time with multiple international users through a web-based, password-protected system.

Marking
Letters, numbers and other symbols used to identify cargo packages. Also known as marks.

Marlinespike
A pointed metal spike that is used to separate strands of rope in splicing.

MarView
It is an integrated, data-driven environment providing essential information to support the strategic requirements of the United States Marine Transportation System and its contribution to economic viability of the nation.

Master Inbound
U.S. Customs’ automated program under AMS. It allows for electronic reporting of inbound (foreign) cargoes in the U.S.
**Mate’s Receipt**
An acknowledgement of cargo receipt signed by a mate of the vessel. The possessor of the mate’s receipt is entitled to the bill of lading, in exchange for that receipt.

**MBM**
1,000 board feet. One MBM equals 2,265 CM.

**MCFS**
Abbreviation for “Master Container Freight Station.” See CFS.

**Measurement Cargo**
Freight on which transportation charges are calculated on the basis of volume measurement.

**Measurement Ton**
40 cubic feet.

**Mechanically Ventilated Container**
A container fitted with a means of forced air ventilation.

**Megaports Initiative**
It is a National Nuclear Security Administration (NNSA) initiative, started in 2003. It teams up with other countries to enhance their ability to screen cargo at major international seaports. The Initiative provides radiation detection equipment and trains their personnel to specifically check for nuclear or other radioactive materials. In return, NNSA requires that data be shared on detections and seizures of nuclear or radiological material that resulted from the use of the equipment provided.

**Memorandum Bill of Lading**

**Memorandum Freight Bill**
*See Multiple Container Load Shipment.*

**Meter**
39.37 inches (approximately).

**Metric Ton**
2,204.6 pounds or 1,000 kilograms.

**Microbridge**
A cargo movement in which the water carrier provides a through service between an inland point and the port of load/discharge. The carrier is responsible for cargo and costs from origin on to destination. Also known as IPI or Through Service.

**Mile**
A unit equal to 5,280 feet on land. A nautical mile is 6,076.115 feet.

**Mini Landbridge**
An intermodal system for transporting containers by ocean and then by rail or motor to a port previously served as an all-water move (e.g., Hong Kong to New York over Seattle).

**Minimum Bill of Lading**
A clause in a bill of lading which sets the least amount a carrier will charge for issuing it. The charge may be a definite sum or the current charge per ton for any specified quantity.

**Minimum Charge**
The lowest charge that can be assessed to transport a shipment.

**Mixed Container Load**
A container load of different articles in a single consignment.
MLB
Abbreviation for “Mini Landbridge.”

M.M.F.B.
Middlewest Motor Freight Bureau.

Modified Atmosphere
A blend of gases tailored to replace the normal atmosphere within a container.

MSA
Maritime Security Act.

MSP
A U.S. Department of Transportation program that helps to assure sufficient sealift to support the United States Armed Forces and U.S. emergency sealift needs, using commercial ships.

MT
Abbreviation for “Metric Ton.”

MTSA
The Maritime Transportation Security Act of 2002 is designed to protect ports and waterways from terrorist attacks. The law is the U.S. equivalent of the International Ship and Port Facility Security Code (ISPS) and was fully implemented on July 1, 2004. It requires vessels and port facilities to conduct vulnerability assessments and develop security plans that may include passenger, vehicle, and baggage screening procedures; security patrols; establishing restricted areas; personnel identification procedures; access control measures; and/or installation of surveillance equipment.

Multimodal
Largely synonymous with “Intermodal.”

MultiTank Container
A container frame fitted to accommodate two or more separate tanks for liquids.

National Strategy for Maritime Security
In December 2004, President Bush directed the secretaries of the Department of Defense and Homeland Security to lead the federal effort to develop a comprehensive National Strategy for Maritime Security that was designed, to better integrate and synchronize the existing Department-level strategies and ensure their effective and efficient implementation. The strategy includes eight supporting plans to address the specific threats and challenges of the maritime environment and combined they present a comprehensive national effort to promote global economic stability and protect legitimate activities while preventing hostile or illegal acts within the maritime domain.

- The National Plan to Achieve Maritime Domain Awareness lays the foundation for an effective understanding of anything associated with the Maritime Domain and identifying threats as early and as distant from our shores as possible.
- The Global Maritime Intelligence Integration Plan uses existing capabilities to integrate all available intelligence regarding potential threats to U.S. interests in the Maritime Domain.
- The Maritime Operational Threat Response Plan facilitates coordinated U.S. government response to threats against the United States and its interests in the Maritime Domain by establishing roles and responsibilities, which enable the government to respond quickly and decisively.
- The International Outreach and Coordination Strategy provides a framework to coordinate all maritime security initiatives undertaken with foreign governments and international organizations and solicits international support for enhanced maritime security.
- Maritime Infrastructure Recovery Plan recommends procedures and standards for the recovery of the maritime infrastructure following attack or similar disruption.
• **Maritime Transportation System Security Plan** responds to the President’s call for recommendations to improve the national and international regulatory framework regarding the maritime domain.

• **Maritime Commerce Security Plan** establishes a comprehensive plan to secure the maritime supply chain.

• **The Domestic Outreach Plan** engages non-Federal input to assist with the development and implementation of maritime security policies resulting from National Security Presidential Directive 41/HSPD-13.

**Nautical Mile**
Distance of one minute of longitude at the equator, approximately 6,076.115 feet or exactly 1,852 meters.

**Naval Cooperation and Guidance for Shipping (NCAGS)**
This is a naval organization with members who are trained to establish and provide advice for safe passage of merchant ships worldwide, during times of peace, tension, crisis and war. NCAGS personnel act as a liaison between military commanders and civil authorities. During war, the NCAGS organization may be responsible for establishing a convoy.

**NCB**
National Cargo Bureau, established in 1952 as a non-profit marine surveying organization that inspects and surveys ships and cargoes incidental to loading and discharging. It issues certificates as evidence of compliance with the provisions of the Dangerous Cargo Act and the Rules and Regulations for Bulk Grain Cargo.

**N.C.I.T.D.**
National Committee on International Trade Documentation.

**NEC**
Abbreviation for “Not Elsewhere Classified.”

**Negotiable Instruments**
A document of title (such as a draft, promissory note, check or bill of lading) that can be transferred from one person to another in good faith for a consideration. Non-negotiable bills of lading are known as “straight consignment.” Negotiable bills are known as “order b/l’s.”

**NES**
Abbreviation for “Not Elsewhere Specified.”

**Nested**
Articles packed so that one rests partially or entirely within another to reduce cubic-foot displacement.

**Net Tare Weight**
The weight of an empty cargo-carrying piece of equipment plus any fixtures permanently attached.

**Net Tonnage (NT)**
The replacement, since 1994, for “Net Register Tonnage.” Theoretically the cargo capacity of the ship. Sometimes used to charge fees or taxes on a vessel. The formula is \((0.2+0.02 \log_{10}(Vc)) \times \frac{4d}{3D}^2\), for passenger ships the following formula is added: \(1.25 \frac{(GT+10000)}{10000} (N1+(N2/10))\), where \(Vc\) is the volume of cargo holds, \(D\) is the distance between ship’s bottom and the uppermost deck, \(d\) is the draught, \(N1\) is the number of cabin passengers, and \(N2\) is the number of deck passengers.) “Ton” is figured as a 100 cubic foot ton. An approximate conversion ratio is \(1NT = 1.7GT\) and \(1GT = 1.5DWT\).

**Net Weight**
Weight of the goods alone without any immediate wrappings, e.g., the weight of the contents of a tin can without the weight of the can.

**Neutral Body**
An organization established by the members of an ocean conference acts as a self-policing force with broad authority to investigate tariff violations, including authority to scrutinize all documents kept by the carriers and their personnel. Violations are reported to
the membership and significant penalties are assessed.

**Nippon Kaiji Kyokai (NK)**  
A Japanese classification society which certifies seagoing vessels for compliance to standardized rules regarding construction and maintenance.

**N.M.F.C.**  
National Motor Freight Classification.

**NOI**  
Abbreviation for “Not Otherwise Indexed.”

**NOIBN**  
Abbreviation for “Not Otherwise Indexed by Name.”

**Nomenclature of the Customs Cooperation Council**  
The customs tariff used by most countries worldwide. It was formerly known as the Brussels Tariff Nomenclature and is the basis of the commodity coding system known as the Harmonized System.

**Non-Dumping Certificate**  
Required by some countries for protection against the dumping of certain types of merchandise or products.

**Non-Vessel Operating Common Carrier (NVOCC)**  
A cargo consolidator in ocean trades who will buy space from a carrier and sub-sell it to smaller shippers. The NVOCC issues bills of lading, publishes tariffs and otherwise conducts itself as an ocean common carrier, but doesn’t provide ocean or intermodal service.

**NOR**  
Notice of Readiness (when the ship is ready to load.)

**NOS**  
Abbreviation for “Not Otherwise Specified.”

**Nose**  
Front of a container or trailer opposite the tail.

**No-show**  
Booked cargo that doesn’t arrive to be loaded before a vessel sails. *See also* “Windy Booking.”
N.R.C.F.B.
North Pacific Coast Freight Bureau.

NRT – Net Register Tons; see “Net Tonnage”
Theoretically the cargo capacity of the ship. Sometimes used to charge fees or taxes on a vessel.

Ocean Bill of Lading (Ocean B/L)
A contract for transportation between a shipper and a carrier. It also provides evidence of receipt of the cargo by the carrier. A bill of lading shows ownership of the cargo and, if made negotiable, can be bought, sold or traded while the goods are in-transit.

OCP
See Overland Common Point.

ODS
Abbreviation for “Operating Differential Subsidy.” An amount of money the U.S. government paid U.S. shipping companies that qualify for this subsidy. The intent was to help offset the higher subsidy the higher cost of operating a U.S.-flag vessel. The ODS program is administered by the U.S. Maritime Administration and is being phased out.

O.E.C.D.
Office of Global Maritime Situational Awareness (OGMSA).
It is the United States initiative to establish a worldwide maritime information exchange that encompasses both public and private sector entities with maritime interests. The GMSA supports maritime domain awareness by making maritime related information available and searchable.
Organization of Economic Cooperation and Development, headquartered in Paris with membership consisting of the world’s developed nations.

On Board
A notation on a bill of lading that cargo has been loaded on board a vessel. Used to satisfy the requirements of a letter of credit, in the absence of an express requirement to the contrary.

On Deck
A notation on a bill of lading that the cargo has been stowed on the open deck of the ship.

Open Account
A trade arrangement in which goods are shipped to a foreign buyer without guarantee of payment.

Open Insurance Policy
A marine insurance policy that applies to all shipments made by an exporter over a period of time rather than to one shipment only.

Open Sea
The water area of the open coast seaward of the ordinary low-water mark, or seaward of inland waters.

Open Top Container
A container fitted with a solid removable roof, or with a tarpaulin roof so the container can be loaded or unloaded from the top.

Operating Ratio
A comparison of a carrier’s operating expense with its net sales. The most general measure of operating efficiency.

O.P.I.C.
Overseas Private Investment Corporation, an agency of the U.S. government which helps U.S. businesses invest overseas.

Optimum Cube
The highest level of cube utilization that can be achieved when loading cargo into a container.
**Order–Notify (O/N)**
A bill of lading term to provide surrender of the original bill of lading before freight is released; usually associated with a shipment covered under a letter of credit.

**ORFS**
Abbreviation for “Origin Rail Freight Station.” Same as CFS at origin except an ORFS is operated by the rail carrier participating in the shipment.

**Origin**
Location where shipment begins its movement.

**Original Bill of Lading (OBL)**
A document which requires proper signatures for consummating carriage of contract. Must be marked as “original” by the issuing carrier.

**OS&D**
Abbreviation for “Over, Short or Damaged.” Usually discovered at cargo unloading.

**Out Gate**
Transaction or interchange that occurs at the time a container leaves a rail or water terminal.

**Overcharge**
To charge more than the proper amount according to the published rates.

**Overheight Cargo**
Cargo more than eight feet high which doesn’t fit into a standard container.

**Overland Common Point (OCP)**
A term stated on the bills of lading that offers lower shipping rates to importers east of the Rockies provided merchandise from the Far East comes in through the West Coast ports. OCP rates were established by U.S. West Coast steamship companies in conjunction with western railroads so that cargo originating or destined for the American Midwest and East would be competitive with all-water rates via the U.S. Atlantic and Gulf ports. Applies to eastern Canada.

**Owner Code (SCAC)**
Standard Carrier Abbreviation Code identifying an individual common carrier. A three-letter carrier code followed by a suffix identifies the carrier’s equipment. A suffix of “U” is a container and “C” is a chassis.

**P**

**P&I**
Abbreviation for “Protection and Indemnity,” an insurance term.

**Packing List**
Itemized list of commodities with marks/numbers but no cost values indicated.

**PADAG**
Please Authorize Delivery Against Guarantee. A request from the consignee to the shipper to allow the carrier or agent to release cargo against either a bank or personal guarantee. The request is made when the consignee is unable to produce original bills of lading.

**Paired Ports**
A U.S. Customs program wherein at least two designated Customs ports will enter cargo that arrives at either port without the necessity of an in-bound document.
Pallet
A platform with or without sides, on which a number of packages or pieces may be loaded to ease handling by a lift truck.

Panamax Tanker
A liquid cargo vessel of 50,000 to 70,000dwt.

Panamax Vessel
The largest size vessel that can move through the Panama Canal. Current maximum dimensions are: Length 294.1 meters (965 feet); width 32.3 meters (106 feet); draft 12.0 meters (39.5 feet) in tropical freshwater; height 57.91 meters (190 feet) above the water.

Paper Ramp
A technical rail ramp that is used for equalization of points not actually served.

Paper Rate
A published rate that is never assessed because no freight moves under it.

Parcel Receipt
An arrangement whereby a steamship company, under rules and regulations established in the freight tariff of a given trade, accepts small packages at rates below the minimum bill of lading, and issues a parcel receipt instead of a bill of lading.

Partial Shipments
Under letters of credit, one or more shipments are allowed by the phrase “partial shipments permitted.”

Particular Average
See Insurance, Particular Average.

Payee
A party named in an instrument as the beneficiary of the funds. Under letters of credit, the payee is either the drawer of the draft or a bank.

Payer
A party responsible for the payment. Under letters of credit, the payer is the party on whom the draft is drawn, typically through its bank.

Per Diem
A charge based on a fixed daily rate.

Perils of the Sea
Those causes of loss from ocean transport for which the carrier is not liable.

Phytosanitary Inspection Certificate
A certificate issued by the U.S. Department of Agriculture to satisfy import regulations of foreign countries; indicates that a U.S. shipment has been inspected and found free of harmful pests and plant diseases.

Pickup
The act of calling for freight by truck at the consignor’s shipping platform.

Pier
The structure perpendicular to the shoreline to which a vessel is secured for the purpose of loading and unloading cargo.

Pier-to-House
A shipment loaded into a container at the pier or terminal before being moved to a consignee’s facility.

Pier-to-Pier
Containers loaded at port of loading and discharged at port of destination.
**Piggy Packer**
A mobile container-handling crane used to load/unload containers to/from railcars.

**Piggyback**
A transportation arrangement in which truck trailers with their loads are moved by train to a destination. Also known as Rail Pigs.

**Place of Delivery**
Place where cargo leaves the care and custody of carrier.

**Place of Receipt**
Location where cargo enters the care and custody of carrier.

**Plimsoll Mark**
A series of horizontal lines, corresponding to the seasons of the year and fresh- or saltwater, painted on the outside of a ship marking the level which must remain above the surface of the water for the vessel’s stability.

**POD**
Abbreviation for:
– Port of Discharge.
– Port of Destination.
– Proof of Delivery. A document required from the carrier or driver for proper payment.

**Point of Origin**
The place at which a shipment is received by a carrier from the shipper.

**POL**
Abbreviation for:
– Port of Loading.
– Petroleum, Oil and Lubricants.

**Pomerene Act, also known as (U.S.) Federal Bill of Lading Act of 1916.**
U.S. federal law enacting conditions by which a B/L may be issued. Penalties for issuing B/L’s containing false data include monetary fines and/or imprisonment.

**Port**
– Harbor with piers or docks.
– Left side of a ship when facing forward.
– Opening in a ship’s side for handling freight.

**Port of Call**
Port where a ship discharges or receives traffic.

**Port of Entry**
Port where cargo is unloaded and enters a country.

**Port of Exit**
Place where cargo is loaded and leaves a country.

**Port Facility Security Officer**
An officer responsible for the development, implementation, revision and maintenance of the port facility security plan and for communications with ship and company security officers.
**Port Facility Security Plan**
A plan developed to ensure the application of measures to protect persons on board, cargo, cargo transport units and ship’s stores within the port facility from the risks of a security incident.

**Port Security**
It is the defense, law and treaty enforcement, and counterterrorism activities that fall within the port and maritime domain. It includes the protection of the seaports themselves, the protection and inspection of the cargo moving through the ports, and maritime security.

**Port Security Grant Program (PSGP)**
As a result of the Department of Homeland Security Appropriations Act of 2005, fiscal year grant funding is provided annually to the nation’s most at-risk seaports for security enhancements. It also is to be used to protect a port from terrorism. PSGP funds help ports enhance their risk management capabilities, domain awareness, training and exercises, and capabilities to prevent, detect, respond to, and recover from attacks involving improvised explosive devices and other non-conventional weapons.

**PPI**
Principal Party of Interest (see USPPI and FPPI).

**Pratique Certificate**
Lifts temporary quarantine of a vessel. It is granted by a health officer.

**Pre-cooling**
A process employed in the shipment of citrus fruits and other perishable commodities. The fruit is packed and placed in a cold room from which the heat is gradually extracted. The boxes of fruit are packed in containers that have been thoroughly cooled and transported through to destination without opening the doors.

**Prepaid (Ppd.)**
Freight charges paid by the shipper before the bills of lading are released by the carrier.

**Pro Forma**
A Latin term meaning “For the sake of form.”

**Pro Forma Invoice**
An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value and specifications (weight, size, etc.).

**Pro Rata**
A Latin term meaning “In proportion.”

**Product Tanker**
A liquid cargo vessel of 10,000 to 60,000dwt. Also referred to as a Handymax Tanker. Often built with many segregated cargo tanks and thus sometimes called a “drugstore tanker.”

**Project Rate**
Single tariff designed to move multiple commodities needed for a specific project.

**Public Service Commission**
A name usually given to a state agency that controls and regulates public utilities.

**Publishing Agent**
Person authorized by transportation lines to publish tariffs or rates, rules and regulations for their account.

**Pulp Temperature**
Procedure where carrier tests the temperature of the internal flesh of refrigerated commodities to assure that the temperature at time of shipment conforms to prescribed temperature ranges.
Pup
A short semi-trailer used jointly with a dolly and another semi-trailer to create a twin trailer.

Quarantine
A restraint placed on an operation to protect the public against a health hazard. A ship may be quarantined so that it cannot leave a protected point. During the quarantine period, the Q flag is hoisted.

Quay
A structure attached to land to which a vessel is moored. See also Dock and Pier.

Quoin
A wedge–shaped piece of timber used to secure barrels against movement.

Quota
The quantity of goods that may be imported without restriction during a set period of time.

Quotation
An offer to sell goods at a stated price and under stated terms.

Rag Top
A slang term for an open-top trailer or container with a tarpaulin cover.

Rail Division
The amount of money an ocean carrier pays to the railroad for overland carriage.

Rail Grounding
The time at which the container was discharged (grounded) from the train.

Ramp
Railroad terminal where containers are received or delivered and trains loaded or discharged. Originally, trailers moved onto the rearmost flat car via a ramp and driven into position in a technique known as “circus loading.” Most modern rail facilities use lifting equipment to position containers onto the flat cars.

Ramp-to-Door
A movement where the load initiates at an origin rail ramp and terminates at a consignee’s door.

Ramp-to-Ramp
A movement of equipment from an origin rail ramp to a destination rail ramp only.

Rate Basis
A formula of the specific factors or elements that control the making of a rate. A rate can be based on any number of factors (i.e., weight, measure, equipment type, package, box, etc.).

Reasonableness
Under ICC and common law, the requirement that a rate not be higher than is necessary to reimburse the carrier for the actual cost of transporting the traffic and allow a fair profit.

Rebate
An illegal form of discounting or refunding that has the net effect of lowering the tariff price. See also Malpractice.
**Reconsignment**
Changing the consignee or destination on a bill of lading while shipment is still in transit. *Diversion* has substantially the same meaning.

**Recourse**
A right claim against the guarantors of a loan or draft or bill of exchange.

**Red Label**
A label required on shipments of flammable articles.

**Reefer**
Refrigerated container.

**Related Points**
A group of points to which rates are made the same.

**Relay**
To transfer containers from one ship to another when both vessels are controlled by the same carrier.

**Remittance**
Funds sent by one person to another as payment.

**Restricted Articles**
Articles handled only under certain conditions.

**Revenue Ton (RT)**
A ton on which the shipment is freighted. If cargo is rated as weight or measure (W/M), whichever produces the highest revenue will be considered the revenue ton. Weights are based on metric tons and measures are based on cubic meters. RT=1 MT or 1 CBM.

**Reverse IPI**
An inland point provided by an all-water carrier’s through bill of lading in the U.S. by first discharging the container in an East Coast port.

**RFP**
Request for Proposal.

**RFQ**
Request for Quotation.

**“Ro/Ro”**
Roll On/Roll Off. A method of ocean cargo service using a vessel with ramps which allows wheeled vehicles to be loaded and discharged without cranes. Also refers to any specialized vessel designed to carry Ro/Ro cargo.

**Roll**
To re-book cargo to a later vessel.

**Rolling**
The side-to-side (athwartship) motion of a vessel.

**Route**
The manner in which a shipment moves; i.e., the carriers handling it and the points at which the carriers interchange.

**Running Gear**
Complementary equipment for terminal and over-the-road handling containers.

**RVNX**
Released Value Not Exceeding. Typically used to limit the value of goods transported. The limitation refers to carrier liability when paying a claim for lost or damaged goods.
SAFE Port Act
Federal Security and Accountability For Every Port Act of 2006 that covers port security.

Sanction
An embargo imposed by a government against another country.

S/D
Abbreviation for:
– Sight Draft.
– Sea Damage.

SCAC Code
See Owner Code.

Schedule B
The Statistical Classification of Domestic and Foreign Commodities Exported from the United States.

Sea-Bee Vessels
Ocean vessels constructed with heavy-duty submersible hydraulic lift or elevator system at the stern of the vessel. The Sea-Bee system facilitates forward transfer and positioning of barges. Sea-Bee barges are larger than LASH barges. The Sea-Bee system is no longer used.

Sea Waybill
Document indicating the goods were loaded onboard when a document of title (B/L) is not needed. Typically used when a company is shipping goods to itself.

Seawaymax Vessel
The largest vessel that can transit the locks of the St. Lawrence Seaway. Length is 226 meters (740 feet); Beam is 24 meters (78 feet); Draft is 7.92 meters (26 feet).

Seaworthiness
The fitness of a vessel for its intended use.

Security Level 1
Is the level for which minimum security measures shall be maintained at all times.

Security Level 2
Is the level for which security measures are maintained as a result of heightened risk of a security incident.

Security Level 3
Is the level for which further security measures are maintained for a limited period of time when a security incident is probable or imminent, although it may not be possible to identify the specific target.

Service
A string of vessels which makes a particular voyage and serves a particular market.
Service Contract
As provided in the Shipping Act of 1984, a contract between a shipper (or a shipper’s association) and an ocean common carrier (or conference) in which the shipper makes a commitment to provide a minimum quantity of cargo or freight revenue over a fixed time period. The ocean common carrier or conference also commits to a certain rate or rate schedule as well as a defined service level (such as assured space, transit time, port rotation or similar service features). The contract may also specify provisions in the event either party fails to meet its requirements.

SFI
The Secure Freight Initiative is a key provision of the SAFE Port Act of 2006 and is part of the International Container Security scanning project. It builds on its current partnership between the Container Security Initiative and the Megaports Initiative. It expands the use of scanning and imaging equipment to examine U.S. bound containers and not just those determined to be high risk.

SHEX
Saturday and Holidays Excluded.

SHINC
Saturday and Holidays Included.

Ship
(1) A vessel of considerable size for deep-water navigation. (2) A sailing vessel having three or more square-rigged masts.

Ship Chandler
An individual or company selling equipment and supplies for ships.

Ship Demurrage
A charge for delaying a steamer beyond a stipulated period.

Ship Load
The amount of cargo a ship carries or is able to carry.
See also “Full Shipload Lot” and “Full and Down."

Ship Security Officer
The person on board the vessel responsible for ship security. This includes implementation and maintenance of the ship security plan and for communications with the company and port security officers.

Ship Security Plan
Is a plan developed to ensure the application of measures on board the ship and designed to protect persons on board, cargo, cargo transport units, ship’s stores or the ship from the risks of a security incident.

Ship Types
- **Barge Carriers**: Ships designed to carry barges; some are fitted to act as full container ships and can carry a varying number of barges and containers at the same time. At present, this class includes two types of vessels: LASH and Sea-Bee.
- **Bulk Carriers**: All vessels designed to carry bulk homogeneous cargo without mark and count such as grain, fertilizers, ore and oil.
- **Combination Passenger and Cargo Vessels**: Ships with a capacity for 13 or more passengers and any form of cargo or freight.
- **Freighters**: Breakbulk vessels both refrigerated and unrefrigerated, containerships, partial containerships, roll-on/roll-off vessels and barge carriers. A general cargo vessel designed to carry heterogeneous mark and count cargoes.
- **Full Containerships**: Ships equipped with permanent container cells, with little or no space for other types of cargo.
- **General Cargo Carriers**: Breakbulk freighters, car carriers, cattle carriers, pallet carriers and timber carriers. A vessel designed to carry heterogeneous mark and count cargoes.
- **Partial Containerships**: Multipurpose containerships in which one or more, but not all compartments, are fitted with permanent container cells. Remaining compartments are used for other types of cargo.
• **Roll-on/Roll-off Vessels**: Ships specially designed to carry wheeled containers or trailers using interior ramps. Includes all forms of car and truck carriers.

• **Tankers**: Ships fitted with tanks to carry liquid bulk cargo such as crude petroleum and petroleum products, chemicals, liquefied gases (LNG and LPG), wine, molasses and similar product tankers.

**Shipper**
The person or company that is typically the supplier or owner of commodities shipped. Also called consignor.

**Shippers’ Associations**
A non-profit entity that represents the interests of a number of shippers. The main focus of shippers’ associations is to pool the cargo volumes of members to leverage the most favorable service contract rate levels.

**Shipper’s Export Declaration – SED, “Ex Dec”**
A joint Bureau of the Census’ International Trade Administration form used for compiling U.S. exports. It is completed by a shipper and shows the value, weight, destination, etc., of export shipments as well as Schedule B commodity code.

**Shipper’s Export Destination (SED)**
A U.S. Department of Commerce document.

**Shipper’s Instructions**
Shipper’s communication(s) to its agent and/or directly to the international water-carrier. Instructions may be varied, e.g., specific details/clauses to be printed on the B/L, directions for cargo pickup and delivery.

**Shipper’s Letter of Instructions for Issuing an Air Waybill**
The document required by the carrier or freight forwarders to obtain (besides the data needed) authorization to issue and sign the air waybill in the name of the shipper.

**Shipper’s Load & Count (SL&C)**
Shipments loaded and sealed by shippers and not checked or verified by the carriers.

**Shipping Act of 1916**
The act of the U.S. Congress (1916) that created the U.S. Shipping Board to develop water transportation, operate the merchant ships owned by the government and regulate the water carriers engaged in commerce under the flag of the United States. As of June 18, 1984, applies only to domestic offshore ocean transport.

**Shipping Act of 1984**
Effective June 18, 1984, describes the law covering water transportation in the U.S. foreign trade.

**Shipping Act of 1998**
Amends the Act of 1984 to provide for confidential service contracts and other items.

**Shipping Order**
Shipper’s instructions to carrier for forwarding goods; usually the triplicate copy of the bill of lading.

**Ship’s Bells**
Measure time onboard ship. One bell sounds for each half hour. One bell means 12:30, two bells means 1:00, three bells means 1:30, and so on until 4:00 (eight bells). At 4:30 the cycle begins again with one bell.

**Ship’s Manifest**
A statement listing the contents of all shipments loaded.

**Ship’s Tackle**
All rigging, cranes, etc., utilized on a ship to load or unload cargo.
Ships

- **Bulk Carriers**: All vessels designed to carry bulk homogeneous cargo without mark and count such as grain, fertilizers, ore, and oil.
- **Combination Passenger and Cargo Vessels**: Ships with a capacity for 13 or more passengers.
- **Freighters**: Breakbulk vessels both refrigerated and unrefrigerated, containerships, partial containerships, roll-on/roll-off vessels, and barge carriers. A general cargo vessel designed to carry heterogeneous mark and count cargoes.
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- **Tankers**: Ships fitted with tanks to carry liquid bulk cargo such as: crude petroleum and petroleum products, chemicals, liquefied gases (LNG and LPG), wine, molasses and similar product tankers.

Shore
A prop or support placed against or beneath anything to prevent sinking or sagging.

Short Sea Shipping – SSS (European-EU)
Short Sea Shipping means the movement of cargo by sea between ports situated in geographical Europe or between those ports situated in non-European countries having a coastline on the enclosed seas bordering Europe (Baltic, Mediterranean and Black). It is a successful mode of transport in Europe.

Short Ton (ST)
A weight unit of measure equal to 2,000 pounds.

Shrink Wrap
Polyethylene or similar substance heat-treated and shrunk into an envelope around several units, thereby securing them as a single pack for presentation or to secure units on a pallet.

Side Loader
A lift truck fitted with lifting attachments operating to one side for handling containers.

Side-Door Container
A container fitted with a rear door and a minimum of one side door.

Sight Draft
A draft payable upon presentation to the drawee.

SIGTTO
Society of International Gas Transport and Terminal Operators, an industry organization promoting the exchange of safety information concerning the processing, transporting and handling of liquefied gases.

Skids
Battens, or a series of parallel runners, fitted beneath boxes or packages to raise them clear of the floor to permit easy access of forklift blades or other handling equipment.
SL/W
Shippers load and count. All three clauses are used as needed on the bill of lading to exclude the carrier from liability when the cargo is loaded by the shipper.

Sleepers
Loaded containers moving within the railroad system that are not clearly identified on any internally generated reports.

Sling
A wire or rope contrivance placed around cargo and used to load or discharge it to/from a vessel.

Slip
A vessel’s berth between two piers.

SPA
Abbreviation for “Subject to Particular Average.” See also Insurance, Particular Average.

Spine Car
An articulated five-platform railcar. Used where height and weight restrictions limit the use of stack cars. It holds five 40-foot containers or combinations of 40- and 20-foot containers.

Spotting
Placing a container where required to be loaded or unloaded.

Spreader
A piece of equipment designed to lift containers by their corner castings.

SSHEX
Saturdays, Sundays and Holidays Excepted. Refers to loading and discharging of cargo as agreed to in the charter party. This indicates when time does not count in the calculation of demurrage and despatch.

Stability
The force that holds a vessel upright or returns it to upright position if it keels over. Weight in the lower hold increases stability. A vessel is stiff if it has high stability, tender if it has low stability. In a ship, stability is indicated by several characteristics. Initial stability is measured by the metacentric height; also known as “GM.” If GM is low, the vessel makes long slow rolls, and is considered tender. When GM is too high, the vessel is considered stiff, and may return violently to the upright position when rolling, with possible damage to cargo and injury to passengers and crew. Other stability considerations include the vessel’s range of stability, maximum righting arm and the angle of heel at which the maximum righting arm occurs.

Stack Car
An articulated five-platform railcar that allows containers to be double stacked. A typical stack car holds ten 40-foot equivalent units (FEU’s).

Stacktrain
A rail service whereby railcars carry containers stacked two high on specially operated unit trains. Each train includes up to 35 articulated multi-platform cars. Each car is comprised of 5 well-type platforms upon which containers can be stacked. No chassis accompany containers.

Standard Industrial Classification (SIC)
A standard numerical code used by the U.S. government to classify products and services.

Standard International Trade Classification (SITC)
A standard numeric code developed by the United Nations to classify commodities used in international trade, based on a hierarchy.
Standard Operating Procedures (SOP’s)
A company’s protocols and procedures for following best practice and well-established guidelines.
Follows corporate governance.

Starboard
The right side of a ship when facing the bow.

Statute of Limitation
A law limiting the time in which claims or suits may be instituted.

STC
Said to Contain.

STCC
“Standard Transportation Commodity Code.”

Steamship Conference
A group of vessel operators joined together for the purpose of establishing freight rates.

Steamship Guarantee
An indemnity issued to the carrier by a bank; protects the carrier against any possible losses or damages arising from release of the merchandise to the receiving party. This instrument is usually issued when the bill of lading is lost or is not available.

Stern
The end of a vessel. Opposite of bow.

Stevedore
Individual or firm that employs longshoremen and who contracts to load or unload the ship.

Store-Door Pick-up Delivery
A complete package of pick up or delivery services performed by a carrier from origin to final consumption point.

Stowage
A marine term referring to loading freight into ships’ holds.

Straddle Carrier
Mobile truck equipment with the capacity for lifting a container within its own framework.

Straight Bill of Lading
A non-negotiable bill of lading which states a specific identity to whom the goods should be delivered. See Bill of Lading.

Stripping
Removing cargo from a container (devanning).

Stuffing
Putting cargo into a container.

STW
Said to Weigh.

Subrogate
To put in place of another; i.e., when an insurance company pays a claim it is placed in the same position as the payee with regard to any rights against others.

Suezmax Tanker
A tanker of 120,000 to 199,000dwt.
Sufferance Wharf
A wharf licensed and attended by Customs authorities.

Supply Chain
A logistical management system which integrates the sequence of activities from delivery of raw materials to the manufacturer through to delivery of the finished product to the customer into measurable components. “Just in Time” is a typical value-added example of supply chain management.

Surcharge
An extra or additional charge.

Surface Transportation Board (STB)
The U.S. federal body charged with enforcing acts of the U.S. Congress that affect common carriers in interstate commerce. STB replaced the Interstate Commerce Commission (ICC) in 1997.

Surtax
An additional tax.

T

T.&E.
Transportation and Exportation. This is a customs form used to control cargo movement from port of entry to port of exit, meaning that the cargo is moving from one country, through the United States, to another country.

Tail
Rear of a container or trailer; opposite the front or nose.

Tare Weight
In railcar or container shipments, the weight of the empty railcar or empty container.

Tariff (Trf.)
A publication setting forth the charges, rates and rules of transportation companies.

TBN
To Be Nominated (when the name of a ship is still unknown).

Telex
Used for sending messages to outside companies. Messages are transmitted via Western Union, ITT and RCA. Being replaced by fax and internet.

Temperature Recorder
A device to record temperature in a container while cargo is en route.

Tender
The offer of goods for transportation or the offer to place cars or containers for loading or unloading.

Tenor
Time and date for payment of a draft.

Terminal
An assigned area in which containers are prepared for loading into a vessel, train, truck or airplane or are stacked immediately after discharge from the vessel, train, truck or airplane.

Terminal Charge
A charge made for a service performed in a carrier’s terminal area.
Terms of Sale
The point at which sellers have fulfilled their obligations so that goods are said to have been delivered to the buyer. The terms are shorthand expressions that establish the rights and obligations of each party when it comes to transporting the goods. Following are the eleven terms of sale in international trade contained in an amendment to the International Chamber of Commerce Terms of Trade (Incoterms), effective Jan. 1, 2020.

Division of Incoterms and Terms of Sale
Incoterms 2020 are divided into four groups (C, D, E, F). The rules are classified according to the fees, risk and responsibility for formalities, as well as issues related to import and export.

C Group
In group C (Main Carriage Paid), the seller concludes a transport contract with the forwarder and takes the costs. In this case, the seller is responsible for conducting export clearance. The risk is transferred at the time of posting the goods to the buyer. All matters arising after loading costs related to transporting, and other events, are the buyer’s responsibility. Group C includes the following Incoterms rules: CFR, CIF, CPT and CIP.

D Group
Group D (Arrival) assumes that the seller is obliged to deliver the goods to a specific place or the port of destination. This group includes such Incoterms as DAP, DPU and DDP.

E Group
In group E (Departure), the seller makes the goods available to the buyer at the delivery point indicated by the seller. The seller is not obliged either to Customs or export clearance and does not bear the risk and costs of loading. In group E, there is only Incoterms EXW.

F Group
Group F (Main Carriage Unpaid) obliges the seller to perform export customs clearance. The seller does not pay transport and insurance costs. FCA, FAS and FOB belong to this group.

TEU
Abbreviation for “Twenty foot Equivalent Unit.”

Third Party Logistics (3PL)
A company that provides logistics services to other companies for some or all of their logistics needs. It typically includes warehousing and transportation services. Most 3PL’s also have freight forwarding licenses.

Through Rate
The total rate from the point of origin to final destination.

Throughput Charge
The charge for moving a container through a container yard off or onto a ship.

Time Charter
A contract for leasing between the ship owners and the lessee. It would state, e.g., the duration of the lease in years or voyages.

Time Draft
A draft that matures either after a certain number of days after acceptance or a certain number of days after the date of the draft.

TIR
Transport International par la Route.
Road transport operating agreement among European governments and the United States for the international movement of cargo by road. Display of the TIR carnet allows sealed container loads to cross national frontiers without inspection.

TL
“Trailer Load.”

TOFC
Abbreviation for “Trailer on Flat Car.” The movement of a highway trailer on a railroad flat car. Also known as Piggyback.
Ton-Mile
- A unit used in comparing freight earnings or expenses. The amount earned from the cost of hauling a ton of freight one mile.
- The movement of a ton of freight one mile.

Tonnage
100 cubic feet. Generally refers to freight handled.

Top-Air Delivery
A type of air circulation in a container. In top air units, air is drawn from the bottom of the container, filtered through the evaporator for cooling and then forced through the ducted passages along the top of the container. This type of airflow requires a special loading pattern.

Towage
The charge made for towing a vessel.

Tractor
Unit of highway motive power used to pull one or more trailers/containers.

Trade Acceptance
A time or a date draft that has been accepted by the buyer (the drawee) for payment at maturity.

Traffic
Persons and property carried by transport lines.

Trailer
The truck unit into which freight is loaded as in tractor trailer combination. See Container.

Tramp Line
An ocean carrier company that operates vessels without regular runs or schedules. They call at any port where cargo may be available.

Transportation & Exit (T&E)
Allows foreign merchandise arriving at one port to be transported in bond through the U.S. to be exported from another port, without paying duty.

Transportation Worker Identification Credential (TWIC)
Established by Congress through the Maritime Transportation Security Act (MTSA) and is administered by the Transportation Security Administration (TSA) and U.S. Coast Guard. TWICs are tamper-resistant biometric credentials that will be issued to all credentialed merchant mariners and to workers who require unescorted access to secure areas of ports, vessels or outer continental shelf facilities.

Transship
To transfer goods from one transportation line to another, or from one ship to another.

Transshipment Port
Place where cargo is transferred to another carrier.

Trust Receipt
Release of merchandise by a bank to a buyer with the bank keeping title to the merchandise. The goods are usually obtained for manufacturing or sales purposes. The buyer is obligated to maintain the goods (or the proceeds from their sales) distinct from the remainder of the assets and to hold them ready for repossession by the bank.

Turnaround
In water transportation, the time it takes between the arrival of a vessel and its departure.
Twist Locks
A set of four twistable bayonet type shear keys used as part of a spreader to pick up a container or as part of a chassis to secure the containers.

Two-Way Pallet
A pallet designed so the forks of a forklift truck can be inserted from two sides only.

UCP
Uniform Customs and Practice for Documentary Credits. This is published by the International Chamber of Commerce. This is the most frequently used standard for making payments in international trade; e.g., paying on a Letter of Credit. It is most frequently referred to by its shorthand title: UCP No. 500. This revised publication reflects recent changes in the transportation and banking industries, such as electronic transfer of funds.

UCF
Abbreviation for “Uniform Freight Classification.”

ULCC
Ultra-Large Crude Carrier. A tanker in excess of 320,000dwt.

Ullage
The space not filled with liquid in a drum or tank.

UN/EDIFACT
United Nations EDI for Administration, Commerce and Transport. EDI Standards are developed and supported by the UN for electronic message (data) interchange on an international level.

Unclaimed Freight
Freight that has not been called for or picked up by the consignee or owner.

Underway
A vessel is underway when it is not at anchor, made fast to the shore or aground.

Uniform Customs and Practices for Documentary Credits (UCP)
Rules for letters of credit drawn up by the Commission on Banking Technique and Practices of the International Chamber of Commerce in consultation with the banking associations of many countries. See Terms of Payment.

Unit Load
Packages loaded on a pallet, in a crate or any other way that enables them to be handled at one time as a unit.

Unit Train
A train of a specified number of railcars, perhaps 100, which remain as a unit for a designated destination or until a change in routing is made.

Unitization
- The consolidation of a quantity of individual items into one large shipping unit for easier handling.
- Loading one or more large items of cargo onto a single piece of equipment, such as a pallet.

Unloading
Removal of a shipment from a vessel.

U.S. Consular Invoice
A document required on merchandise imported into the United States.
USPPI – United States Principal Party of Interest
The party that receives the primary benefit from an export transaction, typically the seller of the goods.

V

Validated Export License
A document issued by the U.S. government covering the export of commodities that requires written authorization.

Validation
Authentication of B/L and when B/L becomes effective.

Vanning
A term for stowing cargo in a container.

Variable Cost
Costs that vary based on the level of activity within a short time. Examples include costs of moving cargo inland on trains or trucks, stevedoring in some ports and short-term equipment leases. For business analysis, all costs are either defined as variable or fixed. For a business to break even, all fixed costs must be covered. To make a profit, all variable and fixed costs must be recovered plus some extra amount.

Ventilated Container
A container designed with openings in the side and/or end walls to permit the ingress of outside air when the doors are closed.

Vessel Manifest
The international carrier is obligated to make declarations of the ship’s crew and contents at the port of departure and arrival. The vessel manifest lists various details about each shipment by B/L number. Obviously, the B/L serves as the core source from which the manifest is created.

Vessel Supplies for Immediate Exportation (VSIE)
Allows equipment and supplies arriving at one port to be loaded on a vessel, aircraft, etc., for its exclusive use and to be exported from the same port.

VISA
Voluntary Intermodal Sealift Agreement. Provides the U.S. defense community with “assured access” to commercial intermodal capacity to move sustainment cargoes during time of war or national emergency. In return, during peacetime, the carriers receive preference in the carriage of DOD cargoes.

VLCC
Very Large Crude Carrier. A tanker of 200,000 to 319,000dwt. It can carry about 2 million barrels of crude oil.

VLFO – Vessel Load Free Out
The loading and discharge terms for the cargo to be shipped, as agreed to in the charter party. The vessel (carrier) pays for the loading of the cargo and the receiver pays for the discharge.

Voluntary Ship
Any ship which is not required by treaty or statute to be equipped with radio telecommunication equipment.

W

War Risk
Insurance coverage for loss of goods resulting from any act of war.

Warehouse
A place for the reception, delivery, consolidation, distribution and storage of goods/cargo.
**Warehouse Entry**
Document that identifies goods imported when placed in a bonded warehouse. The duty is not imposed on the products while in the warehouse but will be collected when they are withdrawn for delivery or consumption.

**Warehouse Withdrawal for Transportation (WDT)**
Allows merchandise that has been withdrawn from a bonded warehouse at one port to be transported to another port, where a superseding entry will be filed.

**Warehouse Withdrawal for Transportation Exportation (WDT&E)**
Allows merchandise that has been withdrawn from a bonded warehouse at one port to be transported in bond through the U.S. to be exported from another port, without paying duty.

**Warehouse Withdrawal for Transportation Immediate Exportation (WDEX)**
Allows merchandise that has been withdrawn from a bonded warehouse at one U.S. port to be exported from the same port exported without paying duty.

**Warehousing**
The storing of goods/cargo.

**Waybill (WB)**
A document prepared by a transportation line at the point of a shipment that lists the point of the origin, destination, route, consignor, consignee, description of shipment and amount charged for the transportation service. It is forwarded with the shipment or sent by mail to the agent at the transfer point or waybill destination. Abbreviation is WB. Unlike a bill of lading, a waybill is NOT a document of title.

**Weight Cargo**
A cargo on which the transportation charge is assessed on the base of weight.

**Weights and Measures/Measurement Ton:**
- 40 cubic ft or 1 cubic meter
- Net ton/short ton – 2,000 lbs
- Gross ton/long ton – 2,240 lbs
- Metric ton/kilo ton – 2,204.6 lbs
- Cubic meter – 35.314 cubic ft

**Well Car**
Also known as stack car. A drop-frame rail flat car.

**Wharf**
A structure built on the shore of a harbor extending into deep water so that vessels may lie alongside. *See also Dock and Pier.*

**Wharfage (Whfge.)**
Charge assessed by a pier or dock owner against freight handled over the pier or dock or against a steamship company using the pier or dock.

**WIBON**
Whether in Berth or Not.

**Windy Booking**
A freight booking made by a shipper or freight forwarder to reserve space but not actually having a specific cargo at the time the booking is made. Carriers often overbook a vessel by 10 to 20 percent in recognition that “windy booking” cargo will not actually ship.

**Without Recourse**
A phrase preceding the signature of a drawer or endorser of a negotiable instrument; signifies that the instrument is passed onto
subsequent holders without any liability to the endorser in the event of nonpayment or non-delivery.

**W.M. (W/M)**
Abbreviation for “Weight or Measurement;” the basis for assessing freight charges. Also known as “worm.” The rate charged under W/M will be whichever produces the highest revenue between the weight of the shipment and the measure of the shipment. The comparison is based on the number of metric tons the cargo weighs compared to the number of cubic meters of space the cargo measures. The prior English method was one long ton compared to forty cubic feet.

**WPA**
Abbreviation for “With Particular Average.”

**WTL**
Western Truck Lines.

**WWD**
Weather Working Days.

**XYZ**
Yard
A classification, storage or switching area.

**York–Antwerp Rules of 1974**
Established the standard basis for adjusting general average and stated the rules for adjusting claims.

**Zulu Time**
Time based on Greenwich Mean Time.
Incoterms 2020 Overview

Types of Incoterms

There are different types of Incoterms. There is one in which the vendor is solely responsible for the entire transport. And there is one in which the buyer has the responsibility for getting the goods from the seller’s factory to its own doorstep. Below are the different Incoterms noted and explained based on the extent of the purchaser’s risk. The Incoterms “Ex Works” up to “Delivery Duty Paid” can be applied to all types of transport. The delivery conditions “Free Alongside Ship” up to “Cost, Insurance and Freight” can only be applied to sea freight shipments. For every kind of Incoterm it is important that the place is mentioned where the risks and responsibilities shift from seller to buyer.

1. Ex Works (EXW)

An agreement to deliver the goods, Ex Works (ready in factory) means the seller is only responsible for the availability or accessibility of the goods at his warehouse or factory. The seller needs to open the door for the person who comes to collect the goods and ensures that the goods with minimal packaging and invoices are ready for pick up. The buyer assumes most of the responsibilities for costs and risks as well as the packing, loading and transportation of the goods from the factory to the final destination. It is the buyer’s responsibility to arrange all customs procedures like export declaration and the clearance in the country of production and clearance in the destination country. Ex Works is generally not recommended for sea and airfreight shipping. But it is generally used for road transport.

2. Free Carrier (FCA)

Free Carrier is a delivery condition that is increasingly being used, especially instead of Ex Works and as an alternative of FOB for container transport. Within this Incoterm, the seller is responsible for all customs activities in the country of origin and ensures that the goods are cleared, the invoice and the packing are both taken care of and that an export license is available. Besides this, the seller is responsible for the (optional) transport to a beforehand agreed upon carrier on a beforehand agreed upon place. Since the place can
also be on the doorstep of the seller, it is important that the place is included in the Incoterm document.

3. Carriage Paid To (CPT)

The seller arranges the customs clearance, pays the export fees and arranges and pays a carrier that delivers the goods at a pre-arranged place. At the moment the (first) carrier takes the goods, he takes over the risks, costs and responsibilities of the seller. He carries the responsibilities until he has delivered the goods. Carriage Paid To is also an Incoterm that is being used more and more. Particularly in container transport, it is often recommended to apply CPT instead of CFR.

4. Carriage and Insurance Paid To (CIP)

Carriage and Insurance Paid To is roughly the same as Carriage Paid To, except that the seller arranges for payment of cargo insurance. When CIP is applied, the risks and responsibilities shift from seller to buyer when the seller transfers the goods to the carrier, just like at CPT.

5. Delivery at Terminal (DAT) (Eliminated in 2020)

The seller delivers the goods to the buyer at the agreed place or port (terminal). The seller bears all the risks and costs associated with transporting the goods. The seller makes sure the goods are accessible from the transportation vehicle, but has no obligation to unload them. This is when the risk passes from seller to buyer. The buyer is required to declare the goods to customs and to arrange all import documents and the payment of import duties.

Replacing DAT is DPU
1. Delivered at Place Unloaded.

There are no restrictions on the named place – for example it can be a transport hub, a warehouse or the buyer’s depot.

The seller is responsible for arranging carriage and for delivering the goods, unloaded from the arriving conveyance, at the named place.

Risk transfers from seller to buyer when the goods have been unloaded.

The buyer is responsible for import clearance and any applicable local taxes or import duties.

A useful rule, well suited to container operations where the seller bears responsibility for the main carriage.

6. Delivery at Place (DAP)

The seller delivers the goods to the buyer at the time the truck arrives at the agreed place. The delivery ends when the truck comes to a stop and takes place before the goods are unloaded. The buyer is responsible for the unloading and in road transport DAP is often used.

7. Delivery Duty Paid (DDP)

The seller is responsible for the entire transport process, including the payment of import duties. Delivery Duty Paid is basically the opposite of Ex Works: at EXW, the seller bears almost no risk while at DDP, he bears all the risks and responsibilities. The risks and responsibilities transfer from seller to buyer when the buyer literally receive the goods. Although DDP was initially not used very often for sea- and airfreight, it is becoming a more and more popular Incoterm. Within road transport DDP is already used quite often.

Besides noting the place, it is advised to add the note “excl. VAT” to this Incoterm. This is to prevent any arguments regarding the VAT payment at the entrance of the country of destination. The seller is namely in many cases not authorized to perform or organize a tax deduction.
The following delivery conditions can only be applied at transport over water as main transportation method. It does not matter whether the shipping is inland or international.

8. Free Alongside Ship (FAS)

The seller ensures that the goods are packed correctly and includes an invoice and an export license at the agreed port. The seller isn’t responsible for boarding the goods. At the quayside, the risks, costs and responsibilities shift from seller to buyer. The buyer is responsible for the carriage contract and must clear the goods for export. The buyer is obligated to have sea transport insurance covering the risk for the seller in the case of loss or damage to the goods during the transport. The buyer arranges the insurance contract, but the seller pays the insurance fee. It is important that the buyer is aware that the seller is only required to provide a minimum coverage insurance.

9. Free on Board (FOB)

The seller is responsible for the invoice, packaging, export license (if necessary) and other customs formalities. The seller covers costs like loading and is responsible for the goods until they pass the railing of the ship. When the goods are on board of the ship at the agreed port, the costs and risks shift to the buyer. FOB can only be applied to bulk goods.

10. Cost and Freight (CFT)

The seller is bears the responsibility for the costs and risks when bringing the goods to the port of destination and is also obligated to clear the goods. When the goods pass the ship’s rail at the port of destination, the costs and risks shift from seller to buyer.
11. Cost, Insurance and Freight (CIF)

The Incoterm Cost, Insurance and Freight is very similar to Cost and Freight; the seller is responsible for all costs and risks during the transport until the goods pass the ship’s rail in the port of destination and for the customs clearance of the goods. From that moment, the buyer assumes the costs and risks. However, in CIF, the seller is required to arrange for sea transport insurance. The seller takes out an insurance policy and pays the insurance premium, but the seller is only obligated to provide minimum coverage. The Incoterm CIF is one of the most widely used, because the costs and the risks are evenly divided between both parties. Both the buyer and the seller are responsible for their respective countries, which makes the communication for insurance and customs much easier.

Credits:

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