AIT Worldwide Logistics

eNewsletter
August 2009 - Issue 39

OCEAN

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Ocean Fast Facts

Summer is HOT, and not too many things are as hot as Florida is during the month of August. In order to celebrate the "heat of the summer" while it still lasts, this month's ocean fast facts question relates to a very high-volume ocean port in the "sunshine state."

Which Florida port boasted 828,349 TEU during 2008 and represents the state of Florida's largest port city?

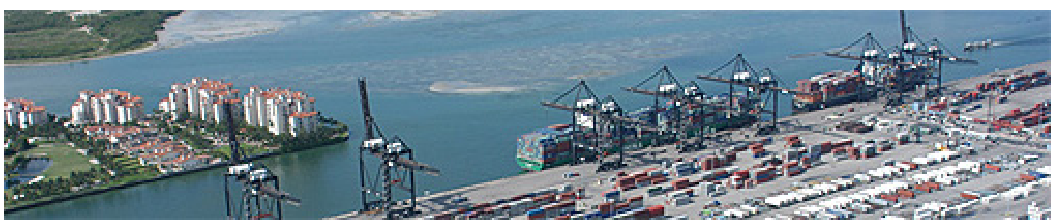
a. Port Everglades
b. Miami
c. Tampa
d. Port St. Lucie

Click here to see the answer!

Correct Answer: b. Miami.

The port of Miami. In 2008, the port of Miami handled over 800,000 TEUs and is one of the most significant ocean ports in the United States for the Latin American trades. Additionally, Miami is an important transshipment port for cargo between Europe, Africa and the Latin American and Caribbean regions.

Source: http://www.miamidade.gov/portofmiami/business-port-statistics.asp



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BUZZ WORD

Open manifest

A manifest in which one or more bills of lading require some action that some action be taken for disposition according to law or practice.

Source: Directory of International Trade, 7th Edition; 2006 Edward G. Hinkelman.

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Open manifests and your freight

Open manifests have typically been a challenge for ocean carriers and co-loaders, mainly because these companies are responsible for submitting a vessel manifest prior to sailings on a per vessel basis, for customs purposes.

In the age of heightened security measures throughout the globe with the ISF / 10+2 requirements, the concept of an "open manifest" poses a challenge for these companies, and companies like AIT to "close" manifests and set the vessels on their timely way. Many ocean carriers have initiated "no docs no load" policies as well to assist in not only satisfying customs and security requirements, but also to ensure closure of manifests and timely sailings. This ultimately protects the cargo of those customers who comply with customs and security requirements.

As always, AIT would like to remind their customers to always ensure prompt and timely preparation of original such as commercial invoice, bill of sale, packing lists, shipper's export declaration (SED) etc. for exports and for customers importing to ensure all criteria is met for 10+2 and ISF initiatives in line with documentation deadlines set by individual shipment and carrier basis. Helping the carriers in the supply chain "close" the manifest by providing timely documentation to those carriers will ensure smooth and prompt arrival of your cargo at destination.

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Hapag-Lloyd and OOCL to cooperate with MSC on new Canadian gateway for North Atlantic trade

Hapag Lloyd recently announced that in mid-July, they will start sharing service with OOCL and MSC between Montreal, Liverpool, Antwerp, Bremerhaven and Le Havre. This new service enhancement will already accentuate cargo services between Europe and the Americas; especially for cargo bound for the United States Midwest and Ohio Valley.

Effective on August 1, 2009, the gateway provides customers with alternatives to Northeastern U.S. ports such as New York as well as the Port of Halifax in Nova Scotia. For more information, please contact your AIT representative.

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Class 1.4 explosives! To ship or not to ship?

AIT regularly handles specialized or hazardous/dangerous ocean freight throughout the globe. Recently, AIT has experienced an increase in the requests for Class 1.4 hazardous cargo. Class 1.4 cargo is highly sensitive cargo that can range from air bag inflators to hand grenades.

Because of the potential liability for certain commodity descriptions of this cargo, ship-owners, railroad companies, drayage companies, underwriters and many port terminal operators throughout the world alike restrict or prohibit the movement of this hazardous class. This also creates a potentially big problem for certain destinations throughout the world subject to higher risks of war and terrorism. Should you have this class of cargo to move, please speak with your AIT representative providing clear commodity descriptions and relevant harmonized tariff codes to determine if this cargo is acceptable before requesting rates.

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Express your freight - a reminder that LCL Express is here!

Earlier this summer, AIT announced the launching of a new LCL program from Shenzhen/Yantian/ Hong Kong and Shanghai to the United States west coast, with additional destinations soon to follow.

The product, called ***LCL Express***, offers industry leading LCL transit times on dedicated weekly Cosco vessels via Los Angeles through our vendor partner, COSCOEx. Transit times of 21 to 23 days are available.

Combining direct dedicated weekly boxes with expedited delivery services to door locations throughout the Continental United States, the service offers an economic alternative to air freight, or expedited LCL solutions at a small price premium.

AIT's ***LCL Express*** service was introduced to supplement AIT's successful FCL Ocean Express program. Ask your AIT representative for more details and service specifics!

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Congestion Alert!

At press time, certain port locations were reporting congestion. Port areas to be aware of during the month of August are:

- Israeli Ports / Haifa
- Algiers / Tripoli Libya

Please be advised that ocean carriers may temporarily enact "Port Congestion Surcharges" in times of peak volumes.

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U.S. exports containers remain in demand

Throughout mid and late July, many ocean carriers continue to report deficit (demand) for containers at inland container depots within the interior U.S. Secondary markets such as Minneapolis, Cincinnati and Kansas City appear to be commonly impacted with limited availability for containers.

AIT continues to recommend that exporters plan early for booking export shipments; this remains especially critical when planning within your supply chain for multiple full container load (FCL) bookings. This is to ensure equipment availability in origin cities to provide the required container size and type to satisfy your booking needs. Less than container load (LCL) booking availability remains wide open.

AIT would like to remind our customers moving special equipment to also allow for ample planning and booking time for special equipment such as refrigerated and flat rack/open top equipment. Speak with your AIT representative to address your specific container needs.

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Schedules, Schedules, Schedules - FCL vs. LCL? They may not be the same!

Last month, AIT provided two reliable websites for importers and exporters to consult when seeking estimated transit times and frequencies: www.jocsailings.com and www.oceanshedules.com.

As mentioned last month, while these sites provide basic sailing options, they provide estimated transit times excluding specific cargo cutoffs. Additionally, these websites are geared toward FCL (full container load) transit times with reliable and reputable carriers.

AIT has many customers who also ship LCL (less than container load) shipments, which move in consolidated containers for many shippers/exporters in one freight container. Because of this, cut-off times and routings for LCL cargo may add sometimes up to 10-14 days to the transit time.

Occasionally, the LCL cargo that moves in consolidated containers may not be a "direct" service and sometimes a transshipment and "relay" to another vessel may add to the transit time.

While these tools are useful, please contact your AIT representative to get specific transit details with optimal routing alternatives and detailed cutoff information, as schedules are often subject to change.

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Lots of Locks - The Panama Canal is getting BIGGER!

Despite a slump in global shipping, the Journal of Commerce announced on July 16 that the Panama Canal Authority awarded a contract to design and build a third set of locks to the Consortium Grupo Unidos por el Canal, which had submitted the lowest bid. It was also reported that the bid awarded to Consortium Grupo Unidos por el Canal bid comes in under canal authority's target price.

The consortium is represented by companies from several nations: Spain, Italy and Luxemburg. The value of the contract, estimated at $3.12 billion USD, was lower than the target of $3.48 billion required by the terms of the Panama Canal Authorities proposal outline.

The project will allow very large ships of 12,600 TEU which are currently considered "Post Panamax" class vessel to transit the canal when the project is completed in 2014.

Finally, the canal authority said it will issue an "order to proceed" for the work to commence at a yet to be determined date. Work is expected no more than 42 days from the announcement of the award.

Source: http://www.joc.com/node/412377

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The 2009-2010 Trans Pacific import season is in swing!

As earlier reported in the July 2009 AIT customer newsletter, the issue of rates as they relate to Peak Season Surcharge (PSS) and BAF were discussed for the Trans Pacific import shipping season into 2010. The question remained whether or not a Peak Season would apply. The TSA carriers servicing this trade announced on July 7th that they would "pursue further revenue improvement in 2009."

As of press time, the Transpacific Stabilization Agreement (TSA) member carriers servicing the Asia to USA trade have not announced a Peak Season Surcharge (PSS), but are proposing a general rate increase (GRI) of $500 per 40' container.

The breakdown of the proposed GRI is as follows:

$ 400 per 20' container
$ 500 per 40' container
$ 565 per 40' high cube container
$ 635 per 45' container

The increase, proposed to become effective on August 10th, applies to all modes in the tradelane: direct west coast, Minilandbridge (MLB) and All Water Service (AWS) to the United States east coast. The TSA carriers site "rate pressures in a distressed market" that have led to ocean freight rates in 12 month contracts for the 2009-2010 shipping season that threaten service levels and carrier viability.

The TSA carriers also commented that the GRI does not preclude the possibility of a peak season surcharge (PSS) if the market strengthens during the shipping season. Other factors the TSA comments are contributing to the proposed increase:

- First quarter 2009 cargo demand from Asia to the U.S. was more than 20% below levels of a year earlier, and conditions during the second quarter have shown only slight improvement.
- Competitive pressures to keep services operating and avoid further costly vessel layups eroded even the minimum rate levels carriers tried to put in place in the trade in April. TSA reports a $1,000-1,200 drop in average revenue per container during the period from October 2008 through May 2009 alone.

As cited on the TSA carriers website, lines may be required to engage with shippers in a renegotiation of contracts during the contract duration for those contracts that do not provide for some form of interim rate adjustment. The TSA acknowledged that container lines should not have given in to pressure to match short-term, concessionary rates in the market at the time contracts were being negotiated. Moreover, concerns voiced by importers and customers involved with shipping in the trade have shared concerns over the past few months that revenue deterioration would eventually lead to fewer lines operating with reduced service levels.

The TSA member list of carriers includes the following carriers: APL, Ltd., China Shipping Container Lines, CMA-CGM, COSCO Container Lines, Ltd., Evergreen Line, Hanjin Shipping Co., Ltd., Hapag Lloyd AG, Hyundai Merchant Marine Co., Ltd., Kawasaki Kisen Kaisha, Ltd. (K Line), Mediterranean Shipping Co., Nippon Yusen Kaisha (N.Y.K. Line), Orient Overseas Container Line, Inc., Yangming Marine Transport Corp. and Zim Integrated Shipping Services.

Source: http://www.tsacarriers.org/pr_070709.html

Finally, there is discussion in the market that TSA carriers will be introducing smaller vessels into the trade throughout the next month or so to help keep capacity in line and reduce operating costs. This may create a "peak" situation ultimately reducing available capacity, especially as the holiday season approaches.

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General Rate Increases - global trades

In addition to the proposed general rate increases (GRI's) on the Trans Pacific eastbound trades, please be advised that several carriers are proposing GRI's on other tradelanes in August. The following are areas impacted by GRI's for cargo destined to or from the United States and other global tradelanes beyond U.S. borders:

- United States to Australia/New Zealand
- United States to Asia
- Asia to the Mediterranean and Europe

GRI's vary by carrier and tradelane. Additional tradelanes may also apply, so please speak with your AIT representative to verify the rate levels.

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The Parting "Wave"

The AIT Ocean Systems team would like to thank you for your support during the summer shipping season. July was quite an active month. August also promises to be an active month, as carriers advise fuel rate adjustments and any additional modifications to the proposed general rate increases.

Preview September 2009 AIT Ocean eNewsletter:
A back to school lesson about Sweden.

If you have any questions or comments regarding the Ocean eNewsletter,
please contact Kevin Krause from the AIT Ocean Department.

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Featured Airplane

Douglas DC-3

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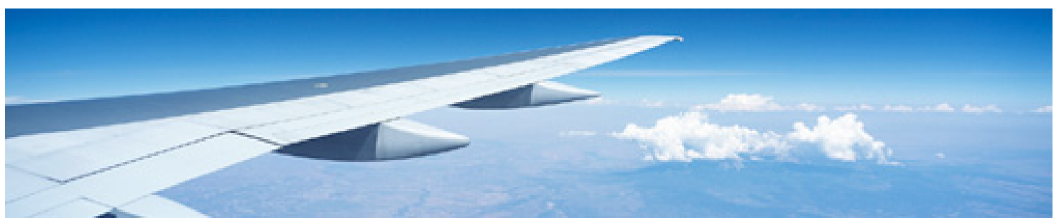
Headline News!

Monthly, eNewsletter readers are presented with either an encapsulated version of key articles or pertinent industry related subjects as reported in previous periodicals.

Most articles, as one would suspect, address the continued economic downturn of the global economy and its negative effect on the transportation industry; sea, air and surface. Without dismissing the importance of these cause-effect topics, further issues are equally important to report.

Increased spot-market pricing and customer quoting, along with the decreased use in tariff rates by air carriers, have become strong points within the industry. Paying customers are placing almost any weight shipment for bid, expecting a deal-of-the-century from a carrier desperate for any amount of cargo. Industry professionals note that following this pricing philosophy will do little to improve the financial outlook of the world's airlines.

Fuel and the price of oil is another topic that remains consistent in industry media coverage. In 2008, the articles addressed the daily increase in the cost of fuel. As fuel began to decline in cost, its impact was scarcely felt. Now as "green shoots" of optimism appear, or as President Obama referred to as "glimmers of hope," fuel has begun another steady rise in price, consequently removing profitable hope from the transportation industry.



Continuing with our "Airlines Go Green" feature, efforts made by the airline industry to further protect the environment and reduce greenhouse gases are highlighted in green below. Missing, however, is the lack of articles or promotional announcements regarding the airlines' desire to maintain sustainability. A decline in press coverage overlooks these important topics: EU carbon-sharing program, the concept of airplanes powered by vegetable oil or straightforward business insight. Undoubtedly, larger initiatives monopolize airfreight forefronts, but continued green initiatives are concerning and relevant issues.

The editorial lineup presents various headlines addressing the altering landscape of air cargo communicated over the last 30 days.

Airlines International, June - August 2009

- International Air Transport Association (IATA) member airlines have been published to the IATA Operational Safety Audit (IOSA) registry. The association membership has become synonymous with best practices in airline safety.
- IATA has signed an agreement with the Interstate Aviation Committee to improve aviation safety throughout the Commonwealth of Independent States (CIS).
- TAP Air Portugal is scheduled to become the first airline to offer carbon offsets to passengers through the IATA offset program.

Cargo News Asia-Pacific, Monday, July 13, 2009

- American Airlines $390m in the red.
- Reported by the Dow Jones, the head of American Airlines said that the airline business is in worse shape than it was a year ago. American Airlines parent (AMR) beat Street expectations with a second-quarter loss of US$390 million. Shares were recently trading at $4.26, up eight cents, or 1.91 percent. AMR shares are up 6.2 percent for the month but are down nearly 60 percent year-to-date.
- The Obama administration has approved a bid by Continental Airlines to join UAL Corp's

United Airlines and other carriers in the global Star Alliance, Reuters reported. The final US Transportation Department order, which provides limited immunity from antitrust law, permits carriers from sharing pricing, scheduling and other information within the alliance.

Air Cargo Asia-Pacific, July 9, 2009

- The G8 leaders' objective to reduce global greenhouse gas emissions by 50% in the year 2050 is welcomed by the International Air Transport Association (IATA).
- US carrier Delta Air Lines and Australia's Virgin Blue Airlines plan to seek regulatory approval to form a joint venture to expand the carriers' reach between the US and Australia and the South Pacific.

The Atlanta Journal-Constitution, Tuesday, July 07, 2009

- UPS, which had a $4.1 billion fuel bill in 2008, hopes to decrease the carbon emissions of its airplanes another 20 percent by 2020. The Sandy Springs-based package carrier begins by replacing older aircrafts with more fuel efficient planes, while continuing to experiment with biofuels.

Cargo News Asia-Pacific, July 6, 2009

- As air cargo volumes climb with grounded rates, the South China Morning Post reports that cargo holds of aircraft plying the China-US route are bulging with the latest 3G iPhone from Apple. Although the air cargo pick-up demand indicates more positive times ahead, recovery is far off. This result has trade watchers questioning whether or not the industry experienced a fundamental change.

Cargo News Asia-Pacific, July 2, 2009

- Belgium-based Cargo B Airlines has ceased operations that began in 2007 with the mission to increase freight services to Africa and South America. A brief statement issued by management reported that lower yields couldn't support a viable operation in the current market without improvements, of which the likelihood was nonexistent.

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IATA Carrier Survey

IATA recently surveyed member carriers regarding airline business confidence in the current market and their forecasts for the future.

Key points discovered from survey respondents include the following:

- Airlines reported that by July their confidence in business conditions had weakened from the situation in April, when oil prices were still low and 'green shoots' of recovery were being discussed;
- Reported net profitability (losses) for Q2 and expectations for the next 12 months deteriorated from the previous survey in April;
- Over 88% of respondents reported profitability had fallen in the past 3 months, and a majority expect a further decline over the year;
- Expectations for cargo volumes over the next 12 months have swung from negative in April to a net positive in this survey, reflecting expectations of a world trade recovery;
- Cargo yields have also fallen substantially but expectations have switched from expecting a further decline in April to expecting a rise in this survey;
- Overall, the survey indicates that the airline industry still faces a challenging environment with very weak passenger revenues and rising unit costs.

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Featured Airplane

Douglas DC-3

The Douglas DC-3 is an American fixed-wing, propeller-driven aircraft whose speed and range revolutionized air transport in the 1930s and 1940s. Because of its lasting impact on the airline industry and World War II it is generally regarded as one of the most significant transport aircraft ever made.

DC-3 operated by Flygande Veteraner in Sweden

Design and Development

The DC-3 was engineered by a team led by chief engineer Arthur E. Raymond and first flew on December 17, 1935. The aircraft was the result of a marathon phone call from American Airlines CEO Cyrus Smith to Donald Douglas requesting the design of an improved successor to the DC-2.

The amenities of the DC-3 - including sleeping berths and an in-flight kitchen - popularized air travel in the United States. With only three refueling stops, eastbound transcontinental flights across the U.S. taking approximately 15 hours became possible. Westbound trips took 17 hours 30 minutes due to typical prevailing headwinds. Before the arrival of the DC-3, such a trip would entail short hops in slower and shorter range aircraft during the day, coupled with train travel overnight.

A variety of engines were fitted to the DC-3 throughout the course of its development. The original civilian aircraft used Wright R-1820 Cyclone 9s, but later aircraft used the Pratt & Whitney R-1830 Twin Wasp radial which offered better high-altitude and single engine performance.

Production

A total of 10,655 DC-3s were built at Santa Monica, CA, Long Beach, CA, and Oklahoma City in both civil (607) and military (10,048) versions.

4937 were built in Russia, under license, as the Lisunov Li-2. A total of 487 were built in Japan, as the L2D Type 0 transport. The overall total produced was 16,079. More than 400 remained in commercial service in 1998.

C-47 of Colombian airline AeroPaz in 2003

Operational history

Early U.S. airlines like United, American, TWA and Eastern ordered over 400 DC-3s. These fleets paved the way for the modern American air travel industry, quickly replacing trains as the favored means of long-distance travel across the United States.

KLM Royal Dutch Airlines received their first DC-3 in 1936 and it replaced their earlier aircraft types on the service from Amsterdam via Batavia (now Jakarta) and continuing to Sydney - by far the longest scheduled route in the world at the time.

Piedmont Airlines operated DC-3s from 1948 to 1963. A DC-3 painted in the representative markings of Piedmont, operated by the Carolinas Aviation Museum, continues to fly to air shows today and has been used in various movies. Both Delta Air Lines and Continental Airlines operate "commemorative" DC-3s wearing "period markings".

During World War II many civilian DC-3s were drafted for the war effort and just over 10,000 US military versions of the DC-3 were built, under the designations C-47, C-53, R4D, and Dakota. Peak production was reached in 1944 with 4853 being delivered. The armed forces of many countries used the DC-3 and its military variants for the transport of troops, cargo, and wounded.

Thousands of surplus C-47s, previously operated by several air forces, were converted for civilian use after the war and became the standard equipment of almost all the world's airlines, remaining in front line service for many years. The ready availability of cheap, easily-maintained ex-military C-47s, both large and fast by the standards of the day, jump-started the worldwide post-war air transport industry.

Douglas C-47B of Aigle Azur (France)

Douglas had developed an improved version, the Super DC-3, with more engine power, greater cargo capacity, and a different wing but, with all the bargain-priced surplus aircraft available, did not sell well in the civil aviation market. Only five were delivered, three of them to Capital Airlines. The U.S. Navy had 100 of their early R4Ds converted to Super DC-3 standard as the R4D-8, later C-117D.

A number of aircraft companies attempted to design a "DC-3 replacement" over the next three decades (including the very successful Fokker F27 Friendship) but no single type could match the versatility, rugged reliability, and economy of the DC-3. It remained a significant part of air transport systems well into the 1970s.

Even today, over 70 years after the DC-3 first flew, there are still small operators with DC-3s in revenue service and as cargo planes. The common saying among aviation buffs and pilots is that "the only replacement for a DC-3 is another DC-3." The aircraft's legendary ruggedness is enshrined in the lighthearted description of the DC-3 as "a collection of parts flying in loose formation." Its ability to take off and land on grass or dirt runways makes it popular in developing countries, where runways are not always paved.

Cockpit of DC-3

Some of the more common uses of the DC-3 have included aerial spraying, freight transport, passenger service, military transport, and sport skydiving shuttling.

The very large number of civil and military operators of the DC-3, C-47, and related types since their introductions means that a listing of all the airlines, air forces, and other operators is impractical.

Specifications

General		Performance	
Crew:	2	Maximum speed:	237 mph (381 km/h)
Capacity:	21-32 passengers	Cruise speed:	150 mph (240 km/h)
Length:	64 ft 5 in (19.7 m)	Range:	1,025 mi (1,650 km)
Wingspan:	95 ft 0 in (29.0 m)	Service ceiling:	24,000 ft (7,300 m)
Wing area:	987 ft² (91.7 m²)	Rate of climb:	1,130 ft/min (5.73 m/s)
Empty Wt.:	18,300 lb (8,300 kg)	Wing loading:	25.5 lb/ft² (125 kg/m²)
Loaded Wt.:	25,200 lb (11,400 kg)	Power/mass:	0.0952 hp/lb (157 W/kg)
Powerplant:	2× Wright R-1820 Cyclone 9 series (earliest aircraft) or Pratt & Whitney Twin Wasp S1C3G in the C-47 and later civilian aircraft		
Propellers:	3-bladed Hamilton Standard 23E50 series hydraulically controlled constant speed, feathering		

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American Airlines C.R. Smith Museum

One of the best places to see a restored DC-3 is at the American Airlines C.R. Smith Museum at Dallas-Ft. Worth International Airport.

The American Airlines C.R. Smith Museum is much more than a museum. It's a sight-and-sound, hands-on, window-seat look at the world of flight. It's an adventure offering you a chance to hear, see, touch and be a part of the exciting aviation industry. Best of all, it's a great place for the entire family - or any group - to enjoy time and time again.

The C.R. Smith Museum, just south of Dallas/Fort Worth International Airport, is a one-of-a-kind adventure into the world of commercial aviation. The museum opened in July 1993, and is dedicated to past and present American Airlines employees and C.R. Smith, longtime American Airlines president and aviation pioneer.

The museum is a non-profit organization publicly funded by the generous gifts of corporate partners, AMR employees, AMR retirees and museum friends. The museum is operated by the C.R. Smith Aviation Museum

Foundation and emphasizes learning through hands-on displays.

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If you have any questions or comments regarding the Air eNewsletter, please contact Joseph Hoban from the AIT Air Department.

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ISF (Importer Security Filing) Correcting Amendments

Corrections to ISF, or 10+2, were published in the Federal Register on July 14 with Customs clarifying a few discrepancies in this interim final rule.

- Importer Security Filings for shipments intended to be transported in-bond as IEs and T&Es must be transmitted no later than 24 hours before the cargo is laden aboard a vessel destined to the United States.
- The carrier is responsible for transmitting container status messages (CSMs) for events that occur prior to first arrival of goods at a United States port.
- The Importer Security Filing must be updated if there is a change before the goods enter the limits of the first port of arrival in the United States.
- Amendments to the ISF will be accepted at any time after the goods arrive in a port of the United States.

Full article available:

Text file: http://edocket.access.gpo.gov/2009/E9-16539.htm
PDF file: http://edocket.access.gpo.gov/2009/pdf/E9-16539.pdf

Ask your AIT sales representative for a copy of our 10+2 Filing handout.

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ISF Mitigation Guidelines Published in CBP Bulletin

Customs published the ISF mitigation guidelines in Bulletin Vol. 43, July 17, 2009, No. 28. This article is based on CBP Decision 09-26 as published in the CBP Bulletin and on information previously published by the NCBFAA.

For shipments involving smuggling attempts, fraudulent activities, terrorist activities, and other actions clearly contrary to law, importers can expect to receive no consideration of circumstances for mitigation.

Consideration will be given regarding how and from whom the ISF information was obtained and the importer's ability to verify the information. Information believed to be reasonably true at the time of filing can still be used, and CBP will continue to be flexible as long as the importer is able to demonstrate that it has taken measures to verify the information. In cases when data is beyond the control of the importer (such as rolled bookings and vessel diversions) CBP will take these factors into account when issuing liquidated damages cases.

If there are successive filings of the ISF data to perfect or correct the data transmitted, CBP will consider only the filing closest to the allowed filing timeframe, which is typically the last ISF filed, for the purposes of issuance of liquidated damages. This clearly indicates that there will not be a per transmission penalty issuance. CBP also acknowledges that data may change somewhat during the transaction itself, and that the correction process is designed to allow for reporting of changed information prior to arrival in the U.S.

As CBP expected, the phase-in period has demonstrated several commercial challenges in obtaining all of the information required in a timely manner. CBP indicates that they will be fair in evaluating the timeliness of the filing and will continue to work with those parties who have participated in the process to date. The filing of provisional data is always an option for importers and by only utilizing the filing closest to the timeline of filing for the issuance of liquidated damages; CBP encourages all importers to file data based on that which is commercially available to meet the timelines.

CBP has indicated that it is important that importers and filers withdraw an ISF when it is known to be invalid. This may be a result of the cancellation of an order, the discovery of a significant change in the information necessitating a new ISF filing, a complete change in routing, or for other commercial reasons.

The following four situations may initiate liquidated damages and their resulting penalties:

1. **Failure to File an ISF:** CBP indicates that there are several possible penalties for those shipments where there is a complete failure to file an ISF.
    a. The issuance of a Do Not Load (DNL) message to the carrier at the foreign port of lading
    b. Withholding permission issued to the carrier to unload the subject goods at the first U. S. port of arrival
    c. Delay in issuing permission to unload at the first U.S. port of arrival
    d. Issuance of a seizure notification
    e. Withholding Customs release of the goods allowing the goods to move to General Order (G.O.)
    f. The issuance of a liquidated damages case

2. **An Inaccurate Submission of Information on an ISF:**
    a. A liquidated damages case will be issued in the amount of $5,000

3. **Late Submission of an ISF:**
    a. A liquidated damages case will be issued in the amount of $5,000

4. **The Failure to Withdraw a Filing:**
    a. A liquidated damages case will be issued in the amount of $5,000

Mitigation Amounts

There is a possibility of a total of $10,000 in liquidated damages per ISF filing. These may be mitigated based on several factors. For the first violation, CBP may cancel the liquidated damages case for the payment of $1,000 - $2,000. For second and subsequent violations, CBP may cancel the liquidated damages case for the payment of $2,500.

Mitigation Factors

The six mitigation factors to be used in determining cancellation/reduction of liquidated damages cases are:

1. Evidence of progress in implementing ISF compliance during the phase-in period.
2. The number of ISFs compared with the number of violations.
3. C-TPAT Tier 3 and Tier 2 importers will receive consideration of up to 50 percent mitigation for violations.
4. The importer has demonstrated that remedial actions have been taken to address the circumstances surrounding the violation.
5. Inaccurate filings due to circumstances beyond the importer's control, such as vessel diversions and rolling bookings completely due to carrier actions.
6. Receiving incorrect information from another party in the supply chain, if this information is found to be incorrect at a date later than allowed under the correction timeline. Under certain circumstances the liquidated damages may be canceled without payment.

Aggravating Factors

The four aggravating factors listed in the guidelines are as follows:

1. The lack of cooperation with CBP
2. Smuggling attempts and other actions contrary to law in association with the shipment
3. Multiple errors on one ISF
4. A rising error rate calculated over all ISFs

As of the writing of this article, ISF Bond Guidelines are still being finalized by CBP. They are expected to be published within a few weeks. In addition to an ISF stand alone continuous bond, a Single Transaction Bond process is expected to be instituted. The limit of liability for these bonds will be fully outlined in the Bond Guidelines.

We will be updating the ISF Bond Guidelines after they are published in the Federal Register.

Here is CBP Decision 09-26 in PDF format.

Here's a link to the CBP Bulletins:
http://www.cbp.gov/xp/cgov/trade/legal/bulletins_decisions/

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BIS online export control training for exporters

The Commerce Department's Bureau of Industry and Security (BIS) maintain the BIS online training room for companies interested in learning about export control regulations. This organized repository of online training modules and webinars is a valuable resource for exporters who want to comply with the BIS regulations. This easily accessible part of the BIS outreach program has a focus on various specific export control issues. BIS has stated its intention to continue creating, supplementing, and maintaining these streaming video training modules.

The BIS online training room can be found on the following site:
http://www.bis.doc.gov/seminarsandtraining/seminar-training.htm

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APHIS publishes schedule of increased export certification fee

Animal and Plant Health Inspection Service (APHIS) has finalized the fees charged for export certification of plants and plant products for the fiscal years 2010 through 2012. These fees will be effective as of October 1, 2009.

Full article available:

Text file: http://edocket.access.gpo.gov/2009/E9-16146.htm
PDF file: http://edocket.access.gpo.gov/2009/pdf/E9-16146.pdf

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If you have any questions or comments regarding the Compliance eNewsletter, please contact Paul Codere from the Customs Brokerage Department.

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Colored Green
A 2-part idea reduces waste and money

As AIT Worldwide Logistics continues to saturate its eco-friendly message into the transportation marketplace, employees are continually encouraged to provide feedback and offer suggestions supporting a greener supply chain.

In January of 2009, AIT began its mission to reduce the amount of paper used in the 5-part house air waybills (HAWB), which contain all details and information (consignee, commodities, etc.) for each individual shipment. Employees in AIT's imaging and scanning department identified that 60% of the HAWB had no use to AIT and was thrown aside for recycling, an internal program AIT began over a year ago.

AIT was sending along one HAWB copy to the consignee with the shipment, while sending the shipper's copy of the HAWB to the imaging department.

Although the number of copies per HAWB could be reduced down to a 2-part form, there was still a need for all 5 parts for preprints and the stations.

To avoid transforming the process across the entire AIT network or eliminating the 5-part HAWB for preprint purposes, necessary data was gathered, costs were examined and key employees teamed together from various departments who work directly with the 5-part paperwork.

Collectively, the team supported AIT's reasons to modify the current process, on the condition that their individual departments could function once 3 sheets of the 5-part HAWB were removed.

Drawing on these resources, AIT decided to implement the 2-part HAWB as a pilot program for the company's corporate headquarters location just outside of Chicago.

As a result, the AIT-ORD station is fully operating with a 2-part HAWB. The paperwork submitted to the imaging department is printed by a laser printer. The transmission has been seamless with these added benefits:

- Decrease in cost by purchasing reams of paper instead of 5-part invoice cases;
- Increased HAWB visibility and clarity when reviewed with Onbase, AIT's scanning software;
- Minimized labor-intensive tasks: writing the shipment number, stapling and teaming to separate the HAWB copies;
- Reduced paperwork cleaning, an essential component for scanning.

With the program currently operating in its infancy stages, AIT is optimistic that other employees will continue reviewing their department's SOP's and looking for ways to reduce spend, improve efficiencies and eliminate waste for AIT.

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If you have any questions or comments regarding the Going Green eNewsletter, please contact the AIT Marketing Department.

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Business Ethics and Compliance

This month's partner news section informs readers on AIT's ongoing efforts and procedures in ensuring its staff and extensive network of global partners are conducting themselves in an ethical and compliant manner.

Compliance Overview

Although AIT Worldwide Logistics operates within an agent network in many countries throughout the world, as a United States company, we must comply with the export administration and international economic laws of the United States. Our company policy requires that we conduct all of our air, ocean import and export services in compliance with such laws. There are no exceptions to this policy.

All global locations and subsidiaries under the AIT parent name must operate under the Foreign Corrupt Practices Act (FCPA) and comply with all applicable laws and regulations of each country when conducting business.

Under the FCPA, it is a crime for United States persons and corporations or their representatives to make, or attempt to make, or offer to make payments of money (otherwise known as "bribes") or to give or offer to give gifts or anything of value to foreign governments or officials in order to obtain, retain, or direct business or to secure an improper business advantage anywhere in the world.

AIT has established a comprehensive internal monitoring program to ensure compliance with such laws. Employees with direct tasks related to FCPA issues must adhere in writing to AIT's FCPA Compliance Program, which educates employees and agents of preventions, prohibits foreign payments and other policies, while detecting potential and actual violations of the FCPA.

Applying Compliance with International Partners

Along the same lines, global partners and agents provide a written certification agreeing to comply with a commitment to business integrity and respect as it relates to different cultures and the dignity and rights of individuals in all countries, the law, to not knowingly mislead others and avoid participating in unacceptable business practices.

When high risk prohibited practices become an identified circumstance, the policy requires that a personal interview with the agent occurs prior to finalizing the partnership. The interview is documented and included with the completed certification.

All international agents agree to the FCPA Compliance Program by signing the manual and participating in the correlated training program.

Compliance efforts are carefully documented to include the following: comprehensive records of educational materials, attendance at training sessions, certifications of compliance, due diligence efforts, hotline calls, and regular compliance reviews. Internal investigations will also be documented and preserved.

Entering into international business relationships

AIT frequently enters into strategic business relationships with companies outside U.S. boundaries. While these companies are instrumental in furthering AIT's international business, they must be adequately subject to our system of controls in order to protect assets against unauthorized use.

Because AIT may be held accountable for actions taken by agents and others on its behalf, compliance procedures require a selection process of all parties are subject to appropriate management control and investigation.

The AIT corporate operations team expects a baseline risk assessment and minimum requirements are completed prior to entering into a business relationship in addition to the following documentation:

1. Insurance: Requirements will vary depending on country standard: cargo, employer's liability and general liability
2. Business License

3. Security checklist: Standard based on CTPAT
4. FCPA: Training and certification
5. Business References: At least three (3) U.S. verified references
6. Bank letters: Received from the business partner's bank to confirm account validity
7. International Country Profile Reports must be obtained for business partners that are located in high risk countries.

All proposed international agreements establishing such relationships are carefully reviewed by legal, financial and management personnel prior to being signed.

These agreements require that international agents agree to comply with AIT's code of ethics and compliance program when importing and exporting cargo.

Further compliance manuals extend to include export, import and code of ethics programs.

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If you have any questions or comments regarding the Partner News eNewsletter, please contact Larry Georgen, Manager Global Network.

Cargo and quality

How quality assurance programs provide supply chain sustainability

As the logistics industry continues trending toward supply chain collaboration and electronic data interchange (EDI) integration, formal quality assurance processes and programs are being developed by an increasing number of transportation providers in order to compete in today's dynamic global markets.

"Product quality in the context of logistics can best be defined by an agreed set of performance measurement metrics, standards and criteria between the transportation organization and its network of agents, vendors or partners," says Aidan Oliver, director of field operations for AIT Worldwide Logistics, Inc. "Implementing a successful, comprehensive, quality solution begins with corporate commitment throughout the entire organization, extends to agent accountability, and ends with service excellence and customer satisfaction."

Smart Business spoke with Oliver about how logistics organizations can develop effective quality assurance programs that provide value and long-term sustainability to their customers' supply chains.

What steps must a company take to effectively establish quality-driven processes?

To successfully implement a strategic quality control process within your organization, you must first ensure that precise guidelines, standards and expectations have been clearly and comprehensively outlined. Determine and assess the demands of your customers and measure your network's levels of performance specifically and scientifically according to those demands.

For example, consider qualitative factors, such as account management or vendor involvement, and quantitative measurements, including shipment-in-transit status updates, on-time delivery, claims ratio and invoicing accuracy.

Similarly, corporate resources and operational efficiencies should be properly allocated, particularly in terms of acquiring IT support in preparing internal and external reports and setting up an EDI infrastructure providing real-time information exchange between your organization and your network of agents. Because statuses including 'recovered,' 'proof of delivery' and 'out for delivery' are updated electronically as dispatchers and drivers change the status within the system, EDI allows logistics providers to provide customers and shippers the timely information they demand — and deserve.

Aidan Oliver
Director of field operations
AIT Worldwide Logistics, Inc.

Lastly, penalties, disciplinary action and/or probationary periods must be established and enforced in order to encourage and engage your line haul providers and preferred cartage vendors to remain in good standing with your program's quality-driven standards. For instance, mandate that proof of deliveries (PODs) must be entered into the system within one hour of drop-off time, or that all pickups and deliveries must be invoiced within 24 hours from the time all transportation charges were approved.

Keep in mind that each agent is an extension of your company — poor performance on the agent's part reflects poorly on your company in the eyes of your customers.

What are the challenges of measuring the performance of agents, and how can those be overcome?

Quality processes will fail unless you receive continuous corporate dedication and follow-through in maintaining the standards of your quality assurance program. Getting prompt, accurate and critical shipment data to customers has become the minimum expectation and reality of the business, but accomplishing this objective takes increasing and ongoing effort, time and accountability.

All employees must commit themselves to the daily challenge of continually monitoring and measuring agent performance, recognizing results, identifying where progress or improvements can be made and proactively making those changes to ensure compliance with your organization's quality criteria.

In short, employees must believe in your company's quality assurance program to the point where it quite simply becomes their way of doing business and they manage the exceptions instead of perpetually chasing down information.

Taking a proactive role in grading vendors on certain criteria means that you are frequently running reports and checking in with each vendor, regardless of the circumstances. Concentrating on what they are doing well in addition to their identified areas of improvement lessens their complacency or indifference with the program.

Whether it's simply to give them a pat on the back for a job well done, investigate a particular POD, or report on their failure to meet 98 percent compliance criteria in entering a certain shipment charge, keeping them actively engaged in the quality assurance process keeps them dedicated to improving their scores.

How do quality assurance programs provide value to customers' supply chains?

Because they involve so many hard-to-quantify benefits and aren't built on a numbers-driven business foundation, it's difficult to determine exactly how much quality assurance programs contribute to your company's bottom line. However, streamlining operational efficiencies and synchronizing data connectivity dramatically reduces job redundancies while improving your organization's on-time percentages and customer confidence.

If you can't measure it, you can't manage it. Quality-driven programs serve as tangible management tools that make it easier to work with your supply chain counterparts in servicing your customers in the most seamless, optimal and efficient way possible. <<

AIDAN OLIVER is director of field operations for AIT Worldwide Logistics, Inc., headquartered in Itasca, Ill. Spanning numerous nationwide locations and an ever-increasing network of international partnerships, the global transportation and logistics provider delivers tailored solutions for a wide variety of vertical markets and industries. Reach him at aaoliver@aitworldwide.com or (800) 669-4AIT (4248).