

# BDP gateway

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### **New packing requirements announced for exports to China**

*On November 1, 1999, China officially announced emergency quarantine regulations effective January 1, 2000 for all shipments that contain solid wood packing materials (SWPM). Following are excerpts from the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) recent communication on this issue.*

*Q: What will be required?*

*A: Exporters must self-certify all shipments to China. Exporters should prominently place one of the below certifying statements on the Invoice and/or Bill of Lading. Exporters must also provide one of the following statements, checked-off, on company letterhead that has been signed by a responsible party:*

- *The packing material in this shipment contains no solid wood;*
- *The SWPM in this shipment contains other than conifer wood; and*
- *The SWPM in this shipment contains conifer wood that has been heat treated to a core temperature of 56 degrees Celsius for a minimum of 30 minutes.*

*(continued on back page)*

## INDEPENDENT STUDY TAKES A CLOSER LOOK AT SHIPPING & THE INTERNET

### WILL THE INTERNET BE A SERIOUS BUSINESS TOOL FOR THE FUTURE?

#### **Information revolution**

Luddites had better sit up and listen. The rapid ascendancy of Internet usage promises to shake up the shipping industry. Trade data is now only a click away. Instead of spending countless hours poring over reports and other resources, importers and exporters can access preliminary research and detailed statistics before you can say "dot gov" or "dot org."

And what about day-to-day business? The electronic data interchange (EDI) versus Internet discussion continues, even as information exchange migrates to the new medium. An electronic version of that most basic transportation contract, the paper bill of lading, was beta tested during the latter half of 1999.

Current and future shipping logistics applications via the Internet was a sub topic of an independent study sponsored by BDP International in 1999. The survey was conducted through an independent research firm, Abacus Custom Research, located in Emmaus, Pennsylvania. Shippers surveyed were split evenly between under \$500K and \$500K or more of annual ocean liner transportation expenditures.

Our goal was to see what impact the Internet was exerting on the shipping business, and more importantly, what we could expect in the near future. An overview of the feedback we received from shippers follows.

#### **Current uses of the Internet**

A high percentage (65%) of respondents are currently using the Internet for one or more of a variety of shipping logistics applications. The charts on page 2 show the current and desired uses by respondents.

One-half are currently using the Internet for general communication/e-mail. Tracking and tracing (40%) is the next most common use.

The Internet is used by one-quarter for sailing schedules, and by one-tenth for carrier selection/routing.

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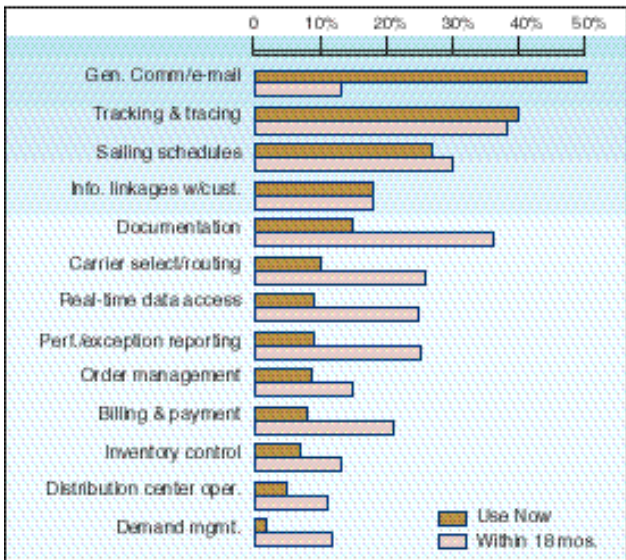
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Two other current applications are systems related: information linkages with customers (18%) and real-time data access (9%). Documentation (15%) is the only other application used by more than one-tenth of the respondents.

Respondents from companies with annual ocean shipping expenditures under \$500K are less likely to currently use the Internet (47% vs. 23%). Likewise, shippers who do not expect to make global shipping contracts, and those who do not expect to make niche contracts, are less likely to use the Internet (about 43% vs. 27% for each; a high degree of overlap exists among these respondents).

Respondents who are service-driven are more likely than the price-driven segment to currently use the Internet for information linkages with customers (24% vs. 12%) and more likely than the time-driven segment to use the Internet for carrier selection/routing (13% vs. 2%).

Current and Desired Internet Shipping Logistics Applications



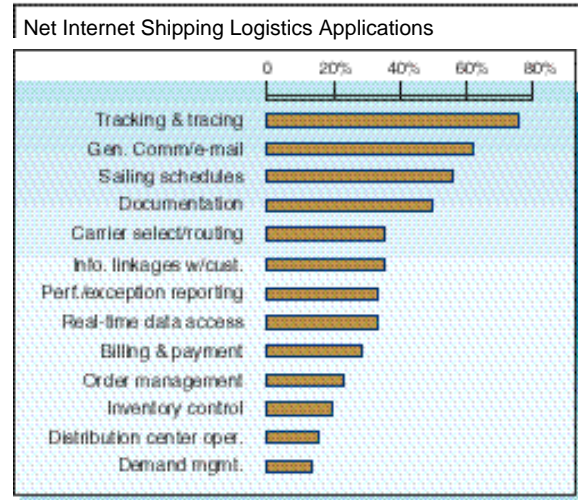
### Desired use of the Internet

The two most desired applications (see above chart) within the next 18 months among those not currently using the Internet for each application are tracking and tracing (38%) and documentation (36%). These are followed by carrier selection/planning applications: sailing schedules (30%) and carrier selection/routing (26%). Performance/exception reporting (25%), real-time data access (25%), and billing and payment (21%) are next. A smaller percentage would like to use the Internet for information linkages with customers (18%) and general communication/e-mail (13%). Many shippers (50%) already use the Internet for general communication or e-mail.

The remaining four applications were desired by less than one-sixth of the respondents: order management (15%), inventory control (13%), demand management (12%), and distribution center operations (11%).

### Net overall uses within 18 months

The Internet applications used in 18 months will be different than those used today, if preferences can be met.




The two most common applications are still tracking and tracing and general communication/e-mail. Both appear related to making daily work processes easier for respondents. However, performance/exception reporting ranked lower, even though it is also related to daily processes.

The documentation function (51%), sailing schedules (57%), and carrier selection/routing (36%) are also high. Two systems related applications would be used by about one-third of respondents: real-time data access (34%) and information linkages with customers (36%). Billing and payment (29%) shows relatively low future usage. The remaining four applications, which are predominantly warehousing/distribution related, would be used by 14% to 24% of shippers.

Respondents who probably will be making or already have made global contracts and/or niche contracts have higher net uses of almost all applications, as do those with annual transportation expenditures of \$500K or more.

### Universal appeal

As we have begun to see, the Internet is moving from a passive medium to one that is much more interactive and which will establish its place alongside core business practices in the shipping industry. Its “universality” and its low cost set it apart from all other methods of information exchange. While the timeline is not completely in focus, the study shows that some distinct changes are already in place and will grow fairly rapidly, as market demand continues to pick up speed.

For more information about this study, contact Arnie Bornstein, BDP Director of Marketing and Corporate Communications, at: (215) 629-8493, or e-mail [abornstein@bdpnet.com](mailto:abornstein@bdpnet.com). 

# INCOTERMS 2000

New “selling terms” for exporters were recently announced and will become effective January 1, 2000. Incoterms—International Commercial Terms—are a set of international rules published by the International Chamber of Commerce that establishes the relationship between the buyer and seller under the contract of sale.

Incoterms were created to adapt to the most contemporary commercial practices, and to provide an internationally accepted definition of the responsibility of the buyer and seller, the allocation of costs, and the assumption of risks.

A full understanding by exporters of their role and responsibilities under the terms of sale can help to avoid potential problems associated with the sales contract.

## Terms of sale

Terms of sale define the responsibilities and obligations of the buyer and the seller in an export/import transaction, and must be negotiated in conjunction with the terms of payment. They focus on the seller’s delivery obligations.

### Obligations of Seller include:

- Provision of goods
- Customs formalities
- Contract of carriage
- Delivery
- Transfer of risks
- Costs
- Notice to buyer
- Proof of delivery
- Packaging

### Obligations of Buyer include:

- Payment of goods
- Customs formalities
- Contract of carriage
- Take delivery
- Transfer of risks
- Costs
- Notice to seller
- Proof of delivery
- Inspection of goods

## IncoTips

- Exporters should state which Incoterms practice is being used during the sale, i.e. Incoterms 1990 or 2000.
- The practice that is used should be stated clearly on all commercial documents (commercial invoice).
- FOB should be used for maritime purposes and only when delivering goods direct to the ship. FCA should be used when delivering goods to the carrier, other than direct to the ship.
- Refrain from adding additional risks to your terms: FOB Stowed, or EXW Loaded.

### Incoterms do not:

- Dictate the contract of carriage;
- Include all of the duties of the buyer/seller in a transaction;
- Deal with a breach in contracts;
- Provide exemptions from liability in case of impediments; and
- Speak about payments between buyer and seller.

## Understanding the terms of delivery

### “C” Terms

Seller assumes cost but not risk of delivering goods to named destination.

CFR = Cost & Freight (named port of destination)

CIF = Cost, Insurance & Freight (named port of destination)

CPT = Carriage Paid To (named place of destination)

CIP = Carriage & Insurance Paid to (named place of destination)

### “D” Terms

Seller bears cost and risk of delivery of goods to buyer’s country/location.

DAF = Delivered At Frontier (named place)

DES = Delivered Ex Ship (named port of shipment)

DEQ = Delivered Ex Quay (named port of destination)

DDU = Delivered Duty Unpaid (named place of destination)

DDP = Delivered Duty Paid (named place of destination)

### “E” Terms

Seller’s cost and risk end when goods are made available to location.

EXW = Ex Works

### “F” Terms

Seller’s cost and risk when goods are delivered to buyer’s carrier.

FCA = Free Carrier (named place)

FAS = Free Alongside Ship (named port of shipment)

FOB = Free On Board (named place of shipment)

## Recommended usage

### Any mode

EXW, FCA, CPT, CIP, DAF, DDU, DDP

### Maritime only

FAS, FOB, CFR, CIF, DES, DEQ


## Summary of changes

### Major changes

- FAS - Seller clears goods for export.
- DEQ - Buyer must clear goods for Customs clearance.
- FCA - Redefinition of delivery obligations of seller.

### Possible variances of certain terms

- EXW - The added obligations for the seller to load the goods on the buyer’s collecting vehicle.
- CIF/CIP - The buyer’s need for additional coverage.
- DEQ - The added obligation for the seller to pay for costs after discharge.

Contact your BDP representative if you have questions about the new Incoterms and for BDP’s Incoterms reference card. 

# EXPORT CONTROLS: ARE YOU IN FULL COMPLIANCE? AVOID SED VIOLATIONS

The Department of Commerce, through its Bureau of Export Administration, administers and enforces export controls for reasons of national security, foreign policy, non-proliferation and short supply. Criminal penalties, as well as administrative sanctions, can be imposed for violations of the regulations.

Export control is a particularly hot issue. Throughout 1999 we saw a number of high profile cases where export controls were found lacking in some major U.S. corporations. While compliance with the regulations is mandatory, enforcement has become more rigorous and more visible.

Two of the major components required for an effective internal export compliance program, as well as to minimize your areas of risks, are implementation of a program that reflects your current business practices, and ownership of the program at the highest corporate level. It is important that you set your company's policy and pick the right partner to assist you in this critical area of Compliance.

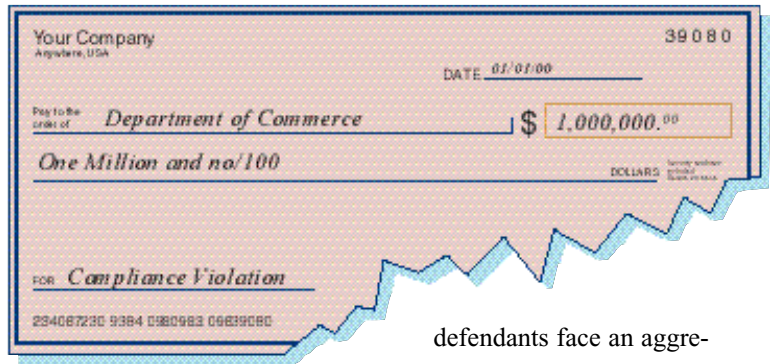
*As the following three recent examples show, lack of a thorough compliance program can be very costly for exporters.*

A manufacturer and distributor pleaded guilty to submitting false export documents to the U.S. Department of Commerce and the U.S. Customs Service. The result: a hefty fine.

The company had made false and misleading statements to the U.S. Department of Commerce and U.S. Customs Service via a fraudulent Shipper's Export Declaration (SED). The SED falsely represented that an attached commercial invoice was true and accurate when, in fact, the company had knowingly and willfully understated the price that it had charged its foreign customer for the shipment. The guilty plea was the result of a two-year investigation by Commerce's Office of Export Enforcement, the U.S. Customs Service, and the U.S. Attorney's Office.

In a separate instance, a corporation was charged with making false and misleading statements and material omissions to the Department of Commerce in connection with applications for export licenses for a shipment to the Far East.

This was treated as criminal conspiracy and considered a serious attempt to circumvent the export control laws designed to protect the national security of the U. S. and further our country's nonproliferation goals. If convicted, the corporate




defendants face an aggregate maximum criminal fine of approximately \$10 million. The individual defendants face a maximum of five years imprisonment and a \$250,000 fine. Failure to comply with export controls on biological agents was the issue facing this non-profit organization that exported U.S.-origin microorganisms to various destinations without obtaining the required export licenses. The company agreed to pay a \$290,000 civil penalty.

Another company made 50 shipments of chemicals from the U.S. to a foreign destination without obtaining the required Commerce Department export licenses. In addition, false statements were made on export control documents in each shipment. The chemicals in question, potassium fluoride and sodium fluoride, are controlled because they can be used to make chemical weapons. Unfortunately, the company's export compliance program failed to recognize that the chemicals had been added to the Commerce Department's control list.

Although there was no indication that the chemicals were used for weapons purposes, a maximum civil penalty of \$10,000 was levied for each of the 50 shipments without a license, together with a penalty of \$5,000 for each false statement.

***“...there are significant advantages to having an internal compliance program that catches and reports problems quickly.”***

In the words of the Commerce Department official in charge of the case, “This penalty should send the message that there are significant advantages to having an internal compliance program that catches and reports problems quickly.”

*For additional information about Export Compliance, contact Michael Ford at (215) 629-8924, [mford@bdpnet.com](mailto:mford@bdpnet.com). *

# REGULATORY WATCH

## PERIODIC UPDATES ON U. S. CUSTOMS POLICIES AND OTHER REGULATORY ISSUES


### ***Overvaluation of goods doesn't pay off***

So you think you're safe by over-declaring value? Think again!

In a recent court case, U.S. Customs took an importer to court for allegedly overvaluing goods, and paying more duty and fees than necessary. Why? Because importers have the legal responsibility to report the actual price paid to the supplier, and also because overvaluation skews trade statistics that the U.S. government uses to set foreign policy.

The government alleges that the importer withheld information about price rebates for importations over a five-year period. Although the government was never deprived of any revenues—in fact, they received more—Customs says that the importer should have reported to them the new price information for every shipment, whether any duties could be refunded to them or not (probably not).

This emphasizes what Customs means by reporting the proper value—not just at time of importation, but any time something happens to change the price paid on an importation, regardless if there is any difference to duty. Accurate reporting of value is considered just as important as any duty payment.

*If you have any questions on this issue, call BDP's Regulatory Department at (610) 595-2878. *

### ***Confidentiality vs Customs requirements***

The Ocean Shipping Reform Act's new confidentiality allowance has caused a domino to fall regarding value declarations on Customs entries. With confidentiality, brokers may not know the actual ocean freight charges that importers are paying, but Customs requires that the actual freight charges, not any estimated charges, are to be reported and/or deducted on the import entry. No exceptions.

CIF, C&F, CFR, or any type of Cost and Freight term of sale causes a problem now with ocean imports. Brokers must know the actual cost of the freight, so that it can be deducted from the dutiable value. Estimates are not allowed. This means that you could be paying increased duties if the duty is paid on the higher CIF cost instead of on the CIF cost less the actual amount paid for international insurance and freight.

Customs has reiterated this requirement, even while they acknowledge that it may be a problem and that their requirement runs counter to the confidentiality clause in OSRA. That's the

way the law is written. They advise that only actual charges can be reported and deducted. The responsibility is thrown back on importers and brokers to "work it out."


Even if the term of sale on your import shipment is FOB or any other term that does not include ocean freight, brokers have the responsibility to report the charges for statistical purposes, even though this does not affect dutiable value or duty.

The bottom line is that no matter what your term of sale might be, the actual ocean freight charges are required by Customs to be reported on your Customs entry: actual not estimated.

If anyone at your company needs verification of this requirement, the customs broker who handles your account at BDP can provide you with a written document from U.S. Customs. In addition, we also have copies of numerous articles that appeared in the *Journal of Commerce* over the last few months on this particular subject.

We want to work together with you to satisfy your concerns about confidentiality, while satisfying Customs concerns about accurate value declarations. BDP will provide any company with a written agreement stating that we will hold all such information confidential.

*Contact your BDP representative or Michael Ford, Vice President of BDP Regulatory Compliance at (215) 629-8924. Additional BDP Regulatory Department contacts are: Adrienne Graddy (847) 795-2626; or Kathy Crawford (610) 595-2878.*

*At U.S. Customs headquarters, contact Mr. Don Luther at (202) 927-0915. *



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If the third choice is marked (heat treated), USDA's APHIS must also certify that the conifer wood packing material in the shipment has been heat treated.

**Q: How will APHIS provide this certification?**

As an interim measure, APHIS is developing a new form and regulations to certify that all conifer packing material that is in a shipment going to China has been heat treated. The new form and regulations are designed to have minimal impact on trade. When the form is available, details on its availability and usage will be posted on USDA's web site.

**Q: What is conifer wood?**

A: Conifer wood is wood that comes from "...predominately evergreen, cone-bearing trees, such as pine, spruce, hemlock, or fir."

**Q: What is SWPM?**

A: SWPM (solid wood packing material) as defined by APHIS (7CFR 319.40-1) is: "Wood packing materials, other than loose wood packing materials, used or for use with cargo to prevent damage, including, but not limited to, dunnage, crating, pallets, packing blocks, drums, cases, spools, and skids." Most of the wood used for shipping to China meets the definition of SWPM and will be subject to the requirements.

**Q: What is not SWPM?**

A: SWPM does not include synthetic or highly processed wood materials used as packing materials. These articles (e.g. plywood, oriented strand board, corrugated paperboard, plastic, and resin composites), while subject to certification, are not subject to the heat treatment requirement.

**Q: What is heat treatment?**

A: Heat treatment, as defined by the regulations, is wood that has been heated to a core temperature of 56 degrees Celsius (133F) for 30 minutes. Kiln drying also meets this requirement.

**Q: How would the heat treatment be certified by APHIS?**

A: APHIS must be able to determine that the conifer wood used has been properly treated. As an interim measure, APHIS will use the signed letterhead statement from the exporter as a basis for certification. APHIS will issue a certificate that the conifer wood in the shipment has been heat treated. The certificate must accompany the shipment.

**Q: Would transit shipments be affected? What about mixed loads?**

A: Sealed shipments transiting "in bond" through the United States to foreign destinations should not be affected by this regulation. Loads of mixed origin would have to be properly certified.

**Q: What happens if I fail to properly certify my shipment?**

A: China has indicated that improperly certified shipments are subject to one of three actions:

- 1) The shipment can be returned to origin;
- 2) The shipment can be separated from the packing material, at the importer's expense; and
- 3) The packing material would be destroyed.

If the shipment cannot be separated from the packing material and is not returned to origin, then both the shipment and packing material would be destroyed. 🌐

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BDP International has Strategic Alliances in more than 100 countries.

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## PROJECT SERVICES - NO SUBSTITUTE FOR EXPERIENCE

### Case Study: LeTourneau, Inc.

Ensuring cargo reaches its destination on time is a primary goal of all shippers. Making sure it arrives safely and in one piece is also a priority. However, for LeTourneau, which produces some of the largest mining equipment in the world, in addition to timeliness, getting all the pieces of a particular shipment to the final destination at once is equally important.

#### **Complete logistics operation**

LeTourneau, located in Longview, Texas, contracted with BDP-Van Ommeren Project Services to arrange the logistics and shipping for a \$3 million LeTourneau front end loader to the port of Antofagasta, Chile. Working with a Texas-based inland haulage company and International Trade and Commerce of Santiago, Chile, the 240 metric ton, 470 cubic meter loader was shipped in knock-down form (due to its size) for assembly at the job site, a large copper mine in Chile.

#### **Staying on top**

The whole factory-to-mine-site operation was closely monitored by the Houston office of BDP-Van Ommeren Project Services and included a visit to the factory in Longview and also to Chile.

“The equipment required special handling in the trucking and vessel loading, including perfect export documentation,” explains Josephine Treurniet, General Manager Project Services at the BDP-Van Ommeren Houston office. “And since they are primarily sold on a Letter of Credit basis, Customs clearance and insurance were important issues as well.”

Eight trucks were required to transport the equipment 250 miles to the Port of Houston for loading. BDP-Van Ommeren had a surveyor at the port during the entire loading process and took all necessary precautions for proper loading and stowage of the cargo.

*“BDP-Van Ommeren representatives followed up on a daily basis and gave us reports on how everything was moving.”*

*Jeanette Kirkindoll*

*LeTourneau, Inc.*

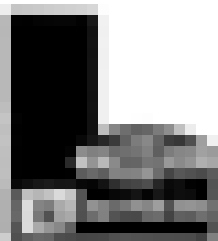
*“BDP-Van Ommeren*

*go out of their*

*way to see that we*

*are pleased with*

*the end result.”*



# BDP INTERNATIONAL AND VAN OMMEREN B.V. FORM ALLIANCE

## ***Worldwide Project Services***

Since the formation of an alliance nearly two years ago, BDP International and Van Ommeren B.V. have established a strong, successful working relationship. The goal then and now is to provide a wide range of project logistics services to customers in all major world markets.

At the core of this alliance is a worldwide team of project logistics experts with many years of experience and who cover every possible project services need, including pre-shipment logistics planning and route surveys, cargo inspections and technical analysis.

The recent shipment for LeTourneau, through the BDP-Van Ommeren facility in Houston, is one of many movements BDP-VO has performed since the formation of the alliance. The Houston office has extensive experience in the Latin American market. BDP's U.S. and Asian expertise is matched by Van Ommeren's reputation in Europe, the Middle East and Africa. BDP has also expanded its Project operations in China, through a dedicated office in Shanghai.

"I gave BDP the documents they needed to process all the paperwork and they took it from there," points out LeTourneau's Jeanette Kirkindoll. "BDP-Van Ommeren representatives followed up on a daily basis and gave us reports on how everything was moving. Josephine even went to Chile to check the unloading of the machine. We were very pleased with the end result."

***"There is no substitute for  
experience in handling this  
type of cargo."***

"There is no substitute for experience in handling this type of cargo," Treurniet points out. "We expect to be measured by the highest standard of service we provide to our clients."

"All of our shipments are important," adds Kirkindoll. "The only requirement we have is that the end result is good. "Working with BDP-VO is hassle-free. They know what they are doing. Who could ask for more?"