Presentation Agenda

- International shipping, Customs clearance and trade compliance: Who does what and how does it work?
- The role of the 3PL (Third Party Logistics company) in global shipping and Customs clearance
- Fundamentals of air & ocean shipping
- Incoterms 2010 Rules
- Export compliance
- Import Compliance & The Customs clearance process
International Shipping, Customs Clearance & Trade Compliance: *Who Does What & How Does It Work?*

**Origin:** Somewhere Overseas

- **Supplier**
- **Origin Trucker**
- **Origin Forwarder**
- **International Transportation**

**Destination:** Somewhere in the U.S.A.

- **CHB**
- **U.S. transport**
- **W&D**
- **Order Fulfillment**
- **Last Mile**
- **Client**
The Role of the 3PL (Freight Forwarder) in International Transportation

- Think of a freight forwarder as a “travel agent” for cargo
- Just as a travel agent doesn’t own planes, cruise ships or hotels, a freight forwarder doesn’t own any ships or aircraft (usually)
- A freight forwarder contracts for low(er) rates from carriers based on guaranteed volumes of cargo over a specified period of time
  - Tons of air freight
  - TEU’s for ocean freight
- Upon contracting with carriers, the forwarder then goes out to the “market” to find importers and exporters to re-sell the space to
The Role of the Freight Forwarder in International Transportation

In addition to contracting for space with airline and ocean carriers, a freight forwarder will also:

- Coordinate “spotting” of containers or pick up for air freight
- Receive cargo from multiple vendors to be sent under a single shipment
- Prepare export documentation (airway bill or ocean b/l)
- Submit Automated Export System filing (AES)
  - Restricted Party Screening
- Arrange for Customs clearance at destination
- Organize delivery of goods at destination
The Role of the Customs Broker in Customs Clearance

- A Customs Broker is licensed by a country’s federal government to act as an agent for importers when clearing goods through Customs.

- As an agent for the importer, the broker engages in the “Classification & Valuation” of merchandise:
  - What a product is and how much it is worth?
  - What Customs duties are owed to the government?
The Role of the Customs Broker in Customs Clearance

- The Customs clearance process is based on a shipment’s corresponding documentation.
- In order to act on behalf of an importer the broker must have a Power of Attorney.
- All Customs entries are now filed electronically by the broker:
  - Automated Broker Interface in U.S.
- Often times, forwarders and brokers offer an integrated service package:
  - International shipping and Customs clearance.
Air Freight

**Consolidated**
- Composed of cargo from many shippers with freight that has same origin and destination
- Freight forwarder purchases allotments on aircraft and sells space to individual shippers
Consolidated
- Per kilo rates are determined by market conditions
- Individual shippers are assigned a unique House Air Waybill
- Master Air Waybill identifies consolidation; freight forwarder is shown as the shipper, and destination office as consignee
**Airway Bill**

<table>
<thead>
<tr>
<th>Shipper's Name and Address</th>
<th>Carrier's Name and Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>595 Main Street, Springfield, MA USA</td>
<td></td>
</tr>
<tr>
<td>Alt: Jeff Brown</td>
<td></td>
</tr>
</tbody>
</table>

| Airway Bill No. | XYZ 4542 | 2225 |

| Reference Number | 3432352 |

<table>
<thead>
<tr>
<th>Gross Weight</th>
<th>1000 kg per pallet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chargeable Weight</td>
<td>2500 kg</td>
</tr>
<tr>
<td>Rate</td>
<td>£0.00</td>
</tr>
<tr>
<td>Total</td>
<td>£0.00</td>
</tr>
</tbody>
</table>

| Country of Origin | England |

**Customs clearance, duties & taxes for shipper's account**

I hereby certify that the particulars on the face hereof are correct and that I have observed any part of the requirements concerning hazardous goods. I hereby certify that the consignments this consignment and each of the consignments contained therein are packed in suitable packages, containers, and labels, and in proper condition for carriage by air according to applicable national government regulations.
Types of Maritime Transport

- Bulk
- Tankers
- Tramper vessels
- Charters
- Roll On/Roll Off
- Passenger ships
- Barge
- Ferries
- Container ships
# Standard 20’ & 40’ Containers

<table>
<thead>
<tr>
<th></th>
<th>STANDARD 20’</th>
<th>STANDARD 40’</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INSIDE LENGTH</strong></td>
<td>19’4”</td>
<td>39’5”</td>
</tr>
<tr>
<td><strong>INSIDE WIDTH</strong></td>
<td>7’8”</td>
<td>7’8”</td>
</tr>
<tr>
<td><strong>INSIDE HEIGHT</strong></td>
<td>7’10”</td>
<td>7’10”</td>
</tr>
<tr>
<td><strong>DOOR WIDTH</strong></td>
<td>7’8”</td>
<td>7’8”</td>
</tr>
<tr>
<td><strong>DOOR HEIGHT</strong></td>
<td>7’6”</td>
<td>7’6”</td>
</tr>
<tr>
<td><strong>CAPACITY</strong></td>
<td>1,172 ft³</td>
<td>2,390 ft³</td>
</tr>
<tr>
<td><strong>TARE WEIGHT</strong></td>
<td>4,916 lb</td>
<td>8,160 lb</td>
</tr>
<tr>
<td><strong>MAX. CARGO</strong></td>
<td>47,959 lb</td>
<td>59,040 lb</td>
</tr>
<tr>
<td><strong>INSIDE LENGTH</strong></td>
<td>5.89 m</td>
<td>12.01 m</td>
</tr>
<tr>
<td><strong>INSIDE WIDTH</strong></td>
<td>2.33 m</td>
<td>2.33 m</td>
</tr>
<tr>
<td><strong>INSIDE HEIGHT</strong></td>
<td>2.38 m</td>
<td>2.38 m</td>
</tr>
<tr>
<td><strong>DOOR WIDTH</strong></td>
<td>2.33 m</td>
<td>2.33 m</td>
</tr>
<tr>
<td><strong>DOOR HEIGHT</strong></td>
<td>2.28 m</td>
<td>2.28 m</td>
</tr>
<tr>
<td><strong>CAPACITY</strong></td>
<td>33.18 m³</td>
<td>67.67 m³</td>
</tr>
<tr>
<td><strong>TARE WEIGHT</strong></td>
<td>2,229 kg</td>
<td>3,701 kg</td>
</tr>
<tr>
<td><strong>MAX. CARGO</strong></td>
<td>21,727 kg</td>
<td>28,780 kg</td>
</tr>
</tbody>
</table>
## 20’ & 40’ Reefer Containers

<table>
<thead>
<tr>
<th></th>
<th>REEFER 20’</th>
<th>REEFER 40’</th>
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</thead>
<tbody>
<tr>
<td>INSIDE LENGTH</td>
<td>178”</td>
<td>378”</td>
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<tr>
<td>INSIDE WIDTH</td>
<td>7’5”</td>
<td>7’5”</td>
</tr>
<tr>
<td>INSIDE HEIGHT</td>
<td>7’5”</td>
<td>7’2”</td>
</tr>
<tr>
<td>DOOR WIDTH</td>
<td>7’5”</td>
<td>7’5”</td>
</tr>
<tr>
<td>DOOR HEIGHT</td>
<td>7’3”</td>
<td>7’0”</td>
</tr>
<tr>
<td>CAPACITY</td>
<td>1,000 ft³</td>
<td>2,040 ft³</td>
</tr>
<tr>
<td>TARE WEIGHT</td>
<td>7,040 lb</td>
<td>10,780 lb</td>
</tr>
<tr>
<td>MAX. CARGO</td>
<td>45,760 lb</td>
<td>56,276 lb</td>
</tr>
</tbody>
</table>
Terminology Specific to the Maritime Industry

- Beneficial Cargo Owners (BCO’s)
- Steamship lines
- Ocean Transport Intermediary
  - Licensed by the Federal Maritime Commission
  - Ocean freight forwarder
- Non-Vessel Operating Common Carriers (NVOCC)
- Carrier Alliances
Full & Less than Container Load

- **Full Container Load (FCL)**
  - Single shipper, typically loaded at a factory, warehouse or works
  - Container can be “spotted” or a “live-loaded”
  - FCL rates are offered “all-in” or with additional charges

- **Less Than Container Load (LCL)**
  - A consolidator (forwarder) offers shared space in a container on a weight/measure basis
  - Multiple shippers in the same container, same origin/destination
  - Rates sold on a weight/measure basis (1,000 kilos or 1 cubic meter)
## Ocean Bill of Lading

**Date:** Sep 15, 200X

**SHIP FROM**
U.S. Pre-Fab Builders LLC
2785 Sherman Avenue, Suite 1865
Atlanta, GA 30341
Attn: Max Smith

**SHIP TO**
De Gama Construction Company
Construction site: Lisbon 1A
West Africa Highway
Calulo, Angola
Attn: Guillermo de Gama

**Special Instructions:** All freight charges to the construction site paid by US Pre-Fab Builders. Local customs clearance, duties & taxes for the account of De Gama Construction.

**CUSTOMER ORDER INFORMATION**
- **Order No.:** AT1875
- **No. of Packages:** 10 40’ containers
- **Weight:** 35,000 lbs. each
- **Additional Shipper Information:**
  - Ocean charges, as well as inland freight & destination are for the account of the seller.

**CARRIER INFORMATION**
- **Description:** Pre-fabricated single housing units
- **Weight:** 35,000 lbs.

**Additional Information:**
- Ocean Freight Atlanta to Luanda $50,000 USD

**Shippers Signature:** Tom Sherman Sep 15, 200X
Incoterms® 2010 Rules: International Shipping Terms
FCA Free Carrier (named place of delivery)

- There can be more than one delivery point at origin (seller’s facility, forwarder’s facility, port or airport)
- Delivery occurs when goods are presented to the carrier nominated by the buyer at the named place or port, cleared for export, from there all transport/customs related costs are for the buyer
- If delivery is at seller’s facility, the seller must load the collecting vehicle
- Can be used with any mode of transport

The seller’s delivery responsibility can end at his works, at a forwarder’s facility or at a port/airport. Under each scenario goods must be cleared for export.
DDP Delivered Duty Paid (named place of destination)

- Seller delivers when goods are made available to the buyer at the named placed at destination, cleared for import but not unloaded from the delivering vehicle.
- Seller is responsible for all transportation, customs & related costs up to named place at destination.
- Can be used with any mode of transport.

Seller is responsible for risk of loss or damage and transportation up to named place at destination, including customs clearance, duties and taxes.
U.S. Import/Export Trade Compliance: Following the Rules...
U.S. Import/Export Trade Compliance: Regulatory Entities (Partial List)

- **Exports:**
  - U.S. Department of Commerce, Bureau of Industry & Security
  - U.S. Department of State, Directorate of Defense Trade Controls
  - U.S. Department of Homeland Security, Customs & Border Protection

- **Imports:**
  - Department of Homeland Security, Customs & Border Protection
  - Other Government Agencies (OGAs)
U.S. Import/Export Trade Compliance: Regulations

- BIS: Export Administration Regulations (15 CFR)
- DDTC: International Traffic in Arms Regulations (22 CFR)
- CBP: U.S. Customs & Border Protection (19 CFR) & The Harmonized Tariff Schedule of the United States
Before You Export…
The Automated Export System (AES)

- Method through which Electronic Export Information (EEI) and manifest details are filed with the U.S. government
- Intended to support U.S. Export Controls and the compilation of trade statistics
Before You Export...
The Automated Export System (AES)

- AES filing is a multi-agency requirement
  - Customs & Border Protection
  - Bureau of Industry & Security
  - Bureau of the Census
  - Directorate of Defense Trade Controls

- AES filing is the responsibility of the U.S. Principle Party of Interest (USPPI)
The Essence of Importing: Classification & Valuation
Classification & Valuation

- **Classification**
  - What is it you are importing and how do you match it with the corresponding Harmonized Tariff Schedule of the United States (HTSUS) number?

- **Valuation**
  - What is the currency of purchase (and $ equivalent exchange rate when entry is made)?
  - What was the "price paid or payable"?

- Valuation is pursuant to the rules found in the U.S. Customs Regulations & Rulings, Code of Federal Regulations, Title 19

- The quality of the classification & valuation process depends to a great extent on the content of the commercial invoice, packing list and ocean/air bill of lading
The United States uses the Harmonized System to classify both import and export products (Called “Schedule B” for export classifications).

In both cases, the first 6 digits are consistent with the H.S., while an extra 4 are specific to the U.S.

The Harmonized System serves as the foundation for the Harmonized Tariff Schedule of the United States.

While tariffs are established by Congress, the HTSUS is put together by the U.S. International Trade Commission (www.usitc.gov).

Classification & interpretation fall under CBP.
Harmonized Tariff Schedule of the United States (2015)
### Harmonized Tariff Schedule of the United States (2015)
Annotated for Statistical Reporting Purposes

<table>
<thead>
<tr>
<th>Heading/Subheading</th>
<th>Stat. Suffix</th>
<th>Article Description</th>
<th>Unit of Quantity</th>
<th>Rates of Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>6401 (con.)</td>
<td></td>
<td>Waterproof footwear with outer soles and uppers of rubber or plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes (con.): Other footwear (con.): Other: Covering the knee</td>
<td>prs. . . . . 37.5%</td>
<td>Free (AU, BH, CA, CL, D, IL, JO, MA, MX, P, R, SG)</td>
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<tr>
<td>6401.99.</td>
<td>00</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6401.99.10</td>
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<td></td>
<td></td>
<td>2.1% (PA)</td>
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<td></td>
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<td></td>
<td>11.2% (OM)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.2% (PE)</td>
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<tr>
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<td></td>
<td></td>
<td>22.5% (CO)</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>37.5% (KR)</td>
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</tbody>
</table>
Webinar: Introduction to International Logistics & Trade Compliance

Questions?

Supply Chain Management (SCM) Certificate
Introduction to International Logistics and Compliance
October 21-23, 2015 | Savannah, GA
www.scl.gatech.edu/intllog