



Ocean Carriage

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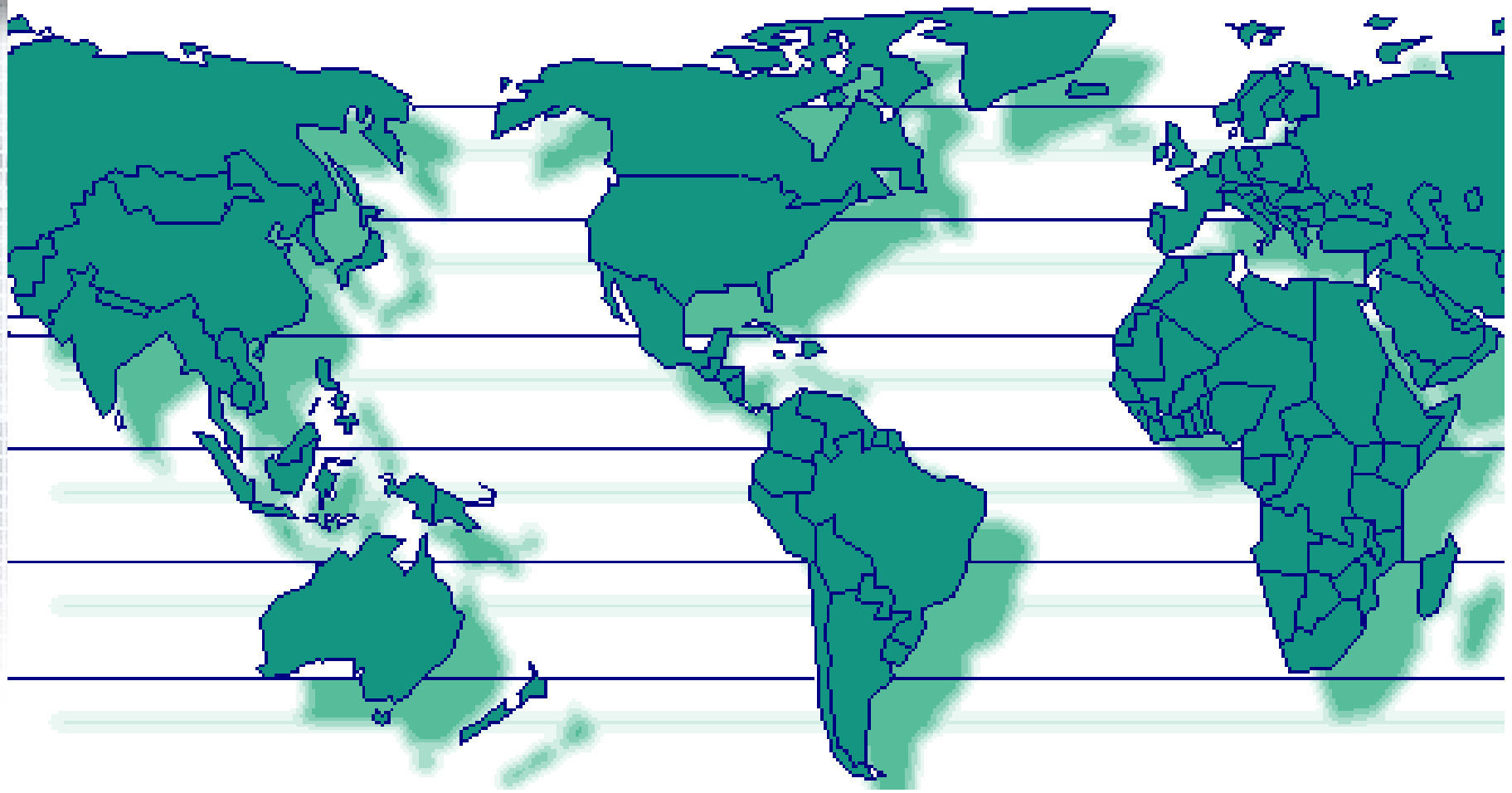


Executive Summary

- The Global Shipping Environment
 - Consumption
 - Manufacturing
 - Ships
 - Retailing
- The Ocean Carrier Environment
 - The Top US Importers & Carriers
 - The Contracting Parties
 - References
 - OSRA: At a Glance
 - Sample Ocean Carrier Contract
 - Carrier Contract Comparison
 - Sample Bill of Lading: Face & Terms
- In Class Exercise
- Test: 20 Questions



Global Routes

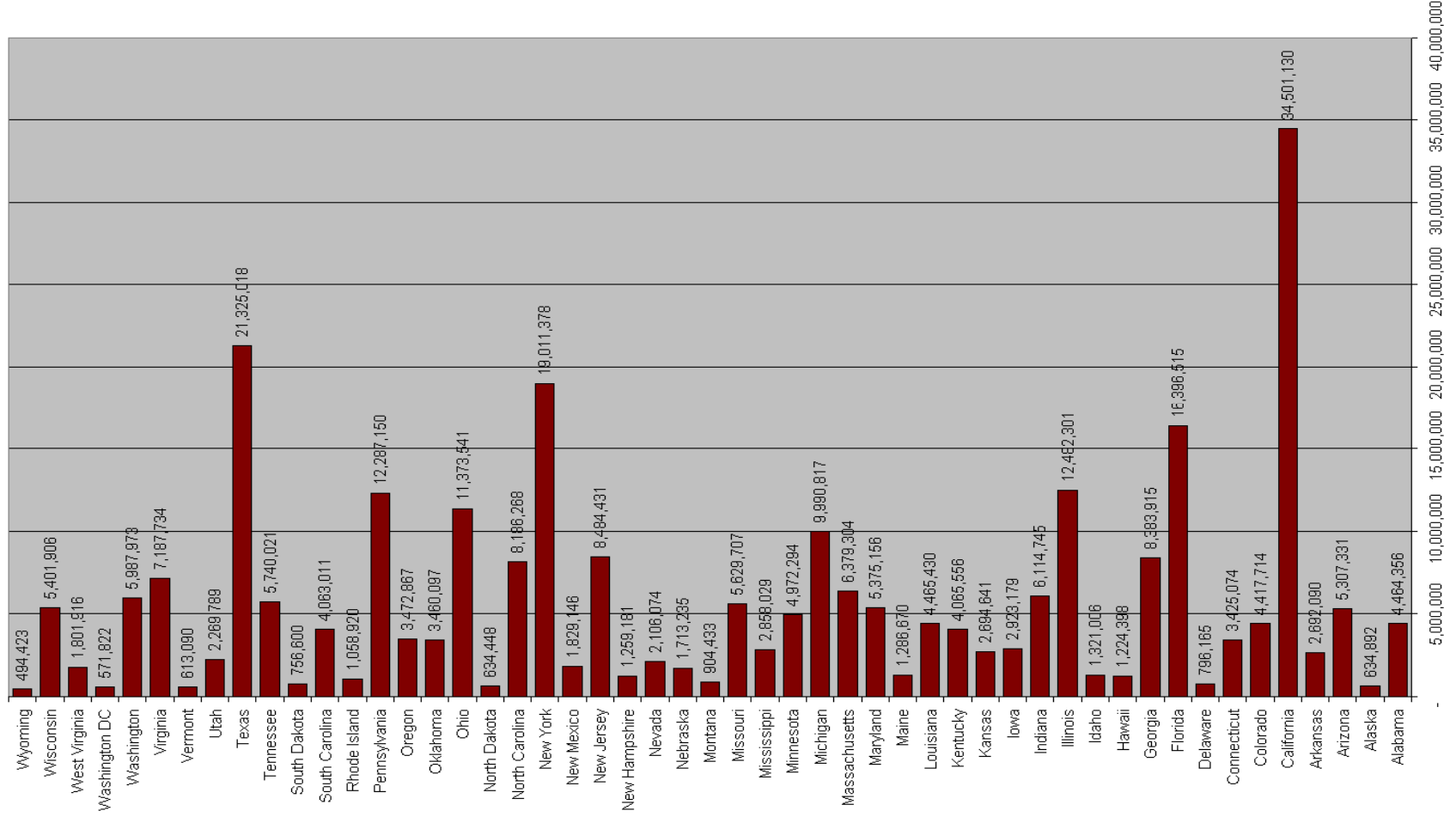




The Consumers

U.S. Population Distribution by State - 2001

Refer to current U.S. Census data for more reliable data analysis



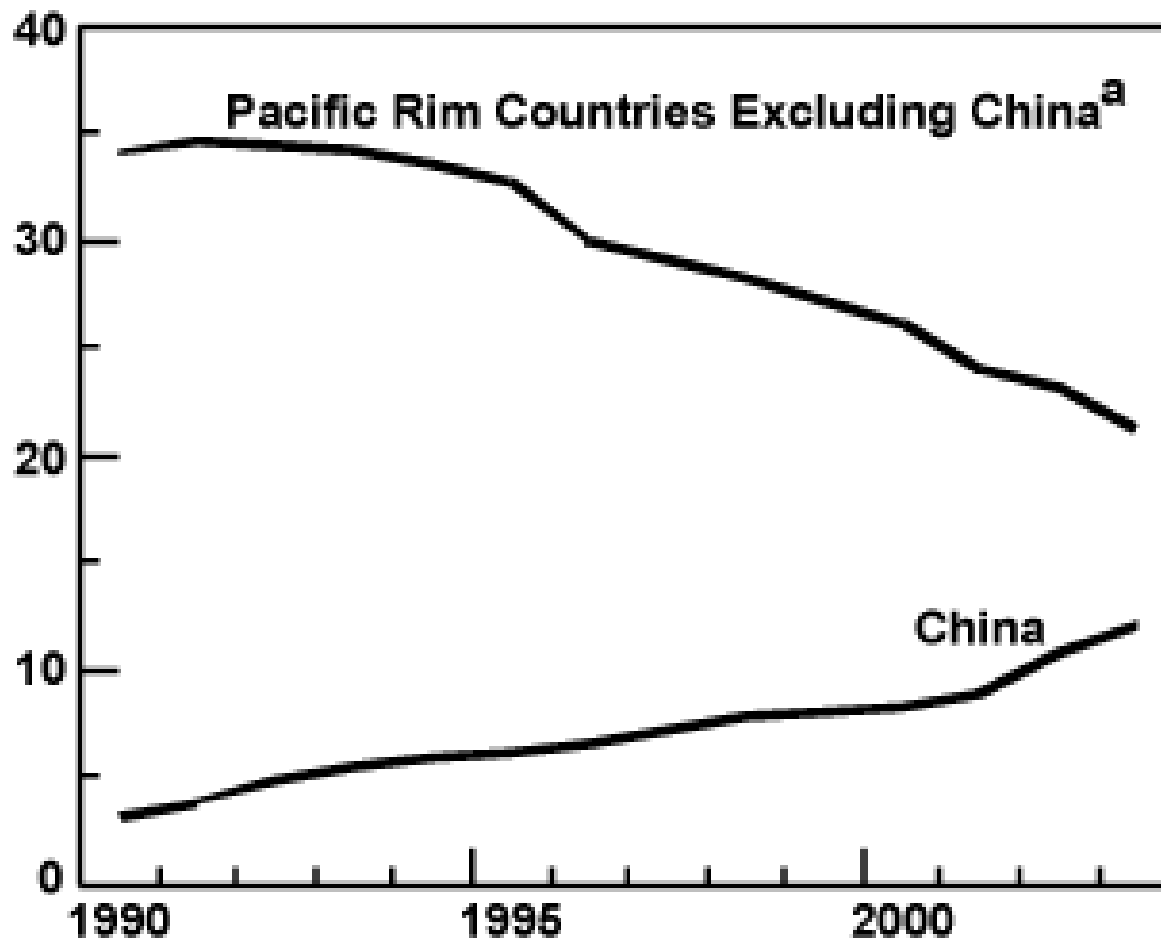


The Big Retailers





Manufacturing





Freight Flows



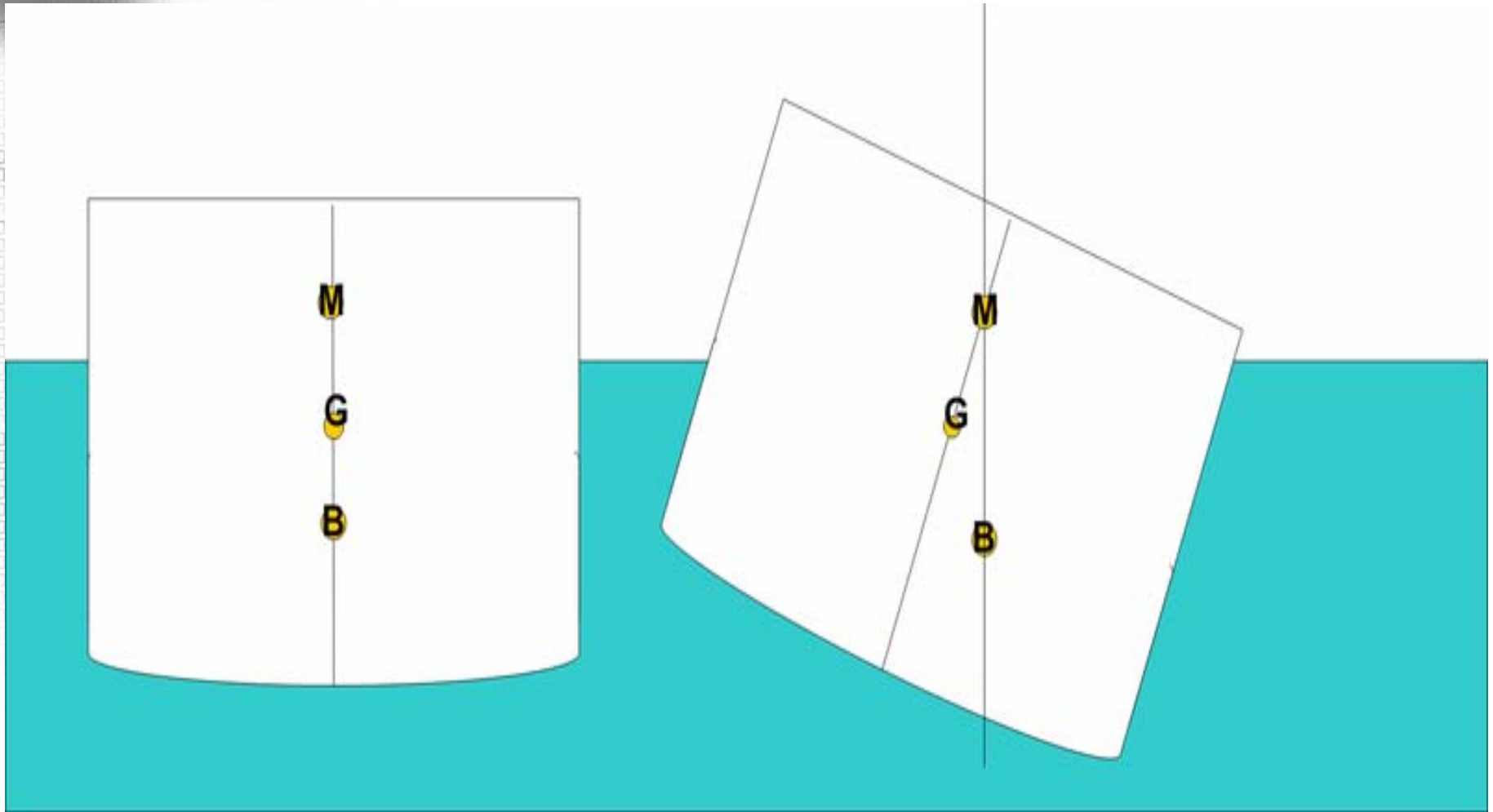


The Big Ships





Safety at Sea





Miraflores Lock, Panama



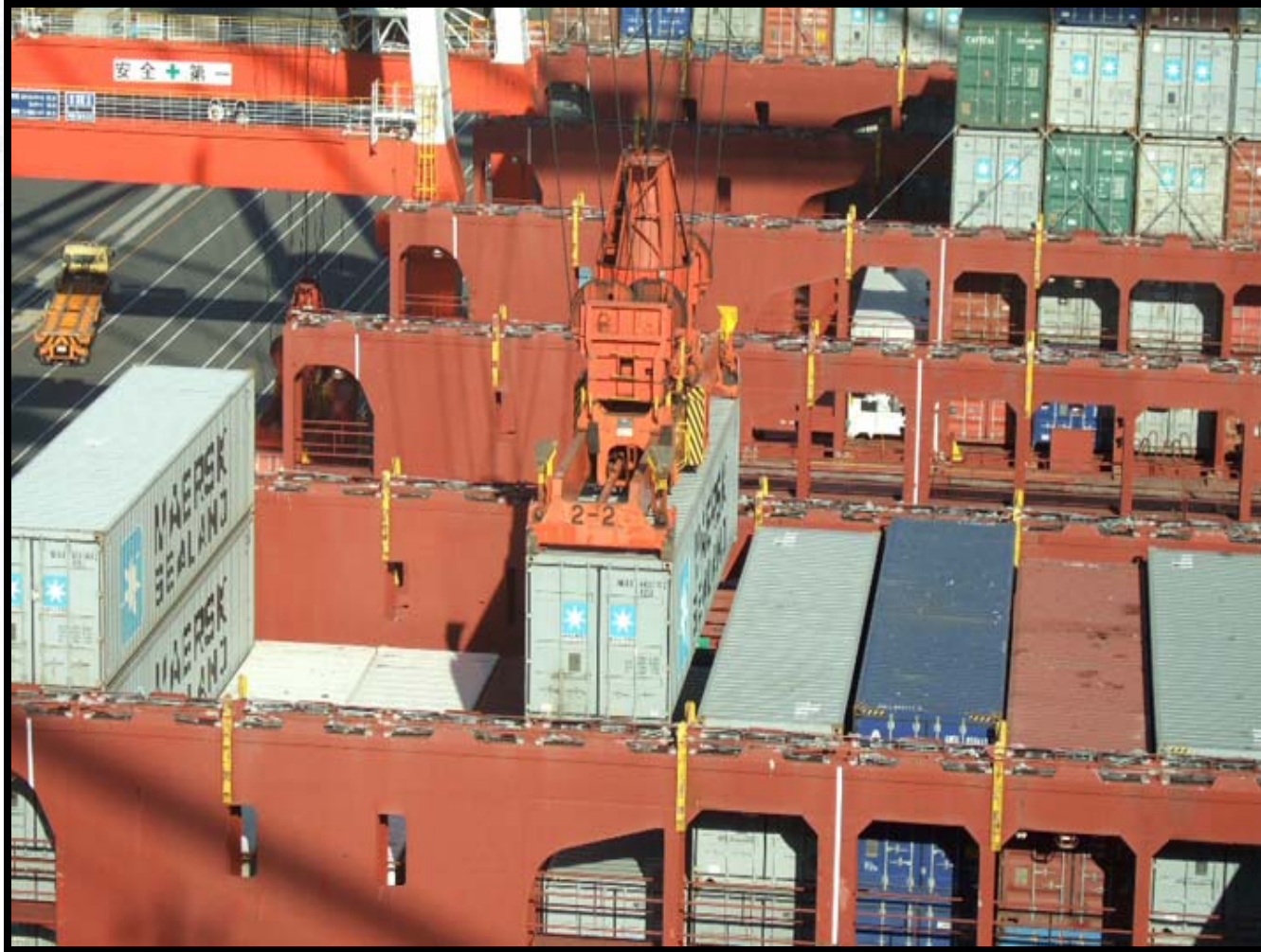


Post Panamax





Cell Guides





Lashing





Stairmaster





Deep Water Ports





Careful!



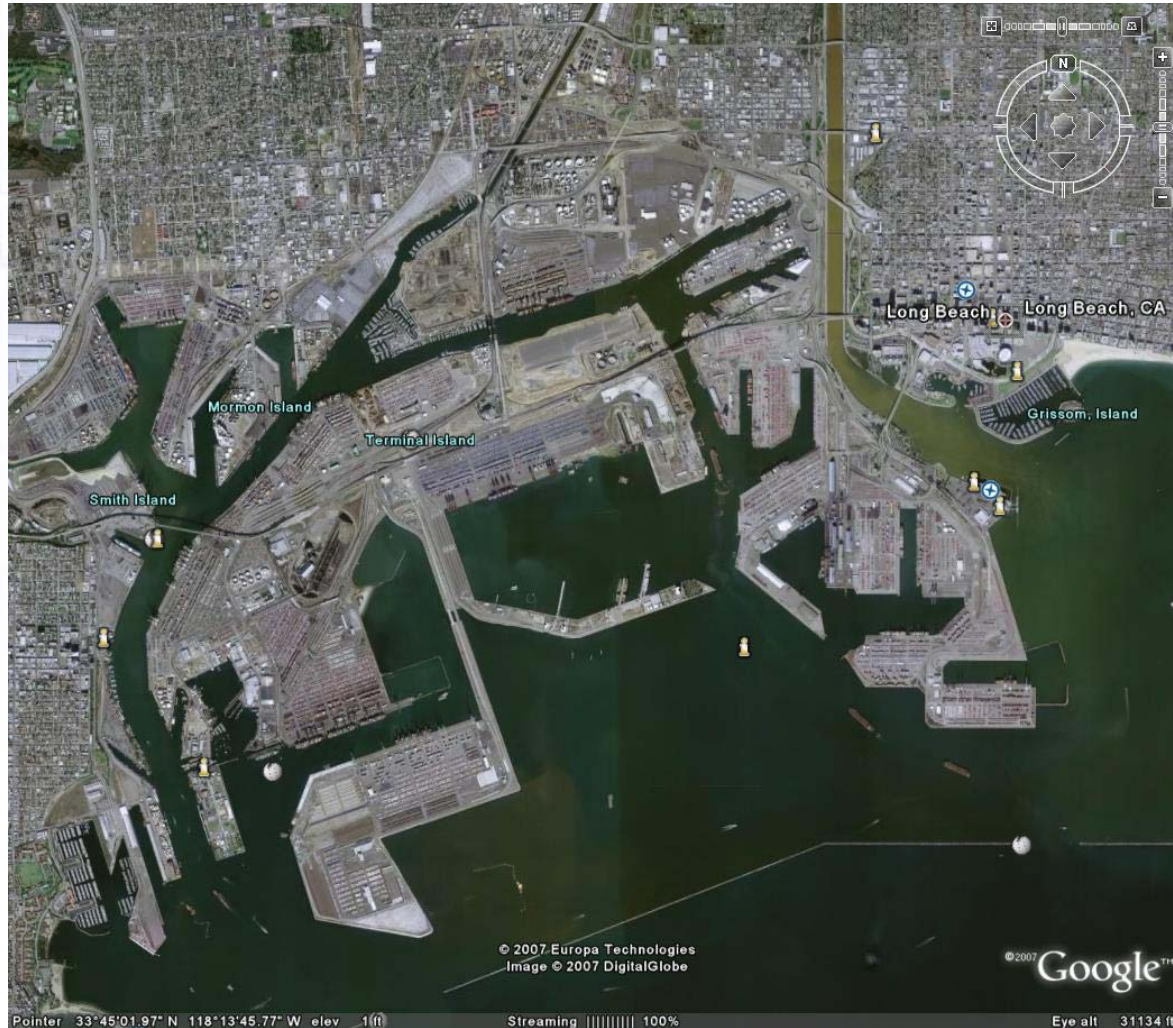


Any Weather





Big Ports - Good Inland Access



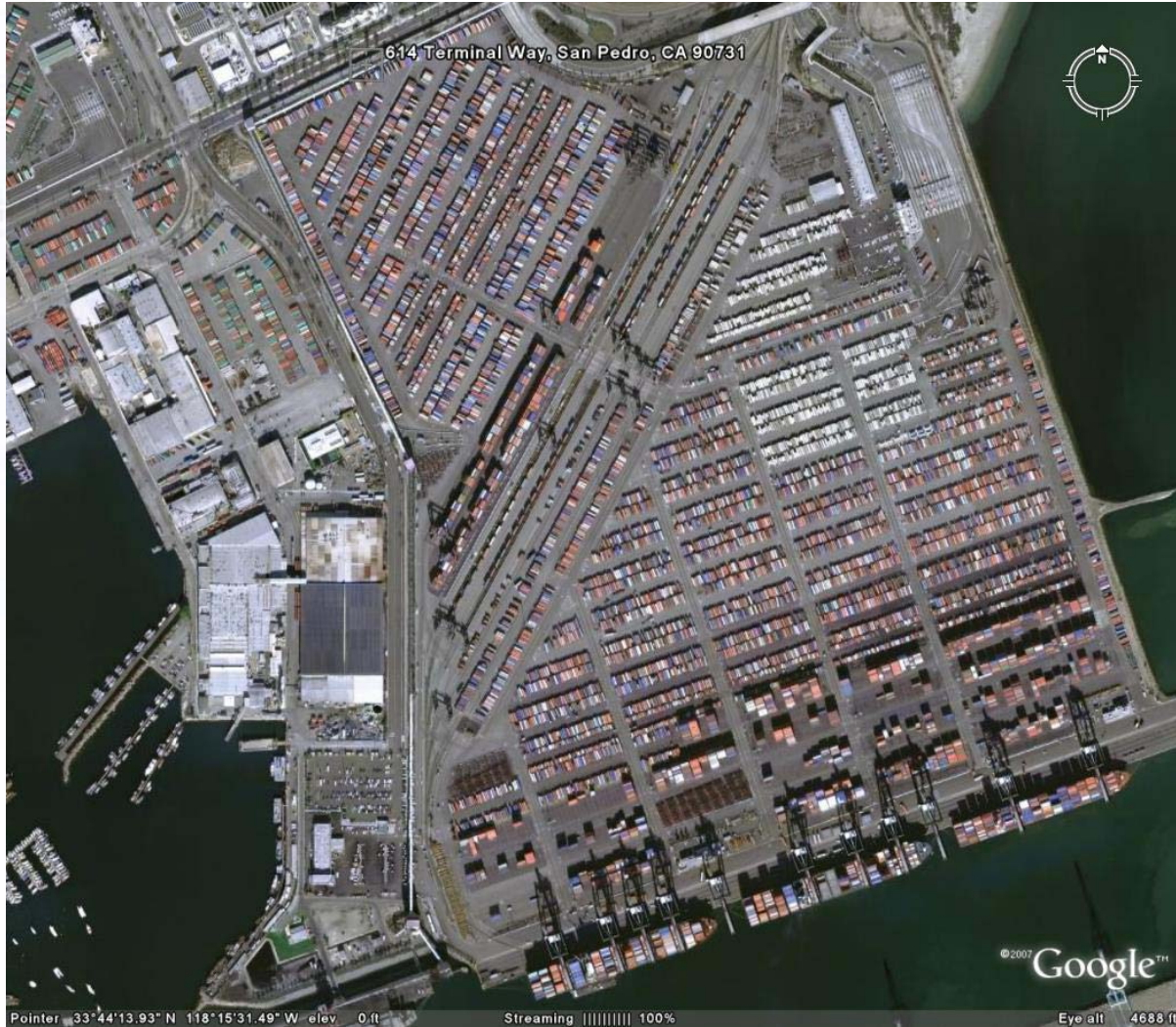


MSC Texas @ Long Beach



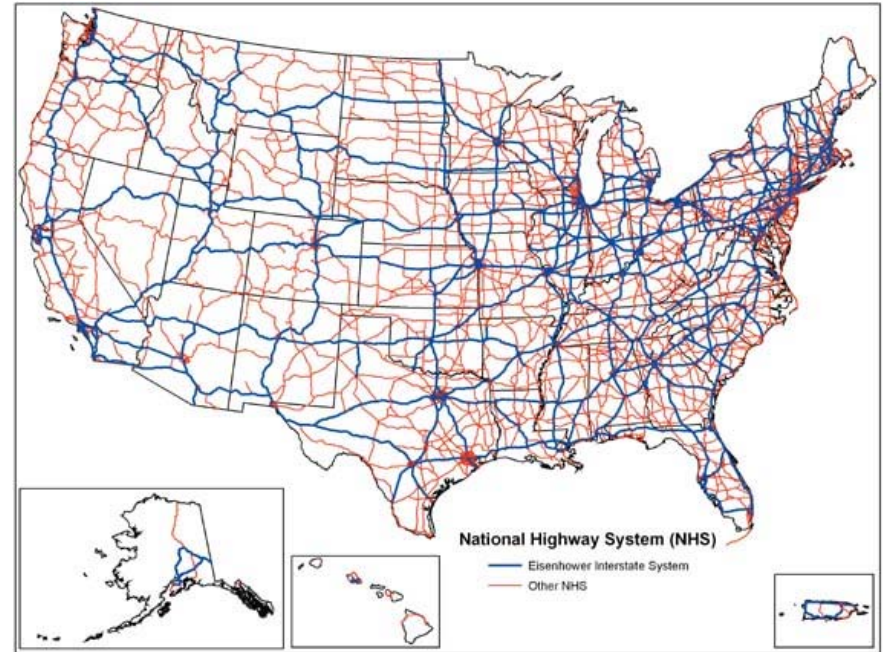


Marine Terminal



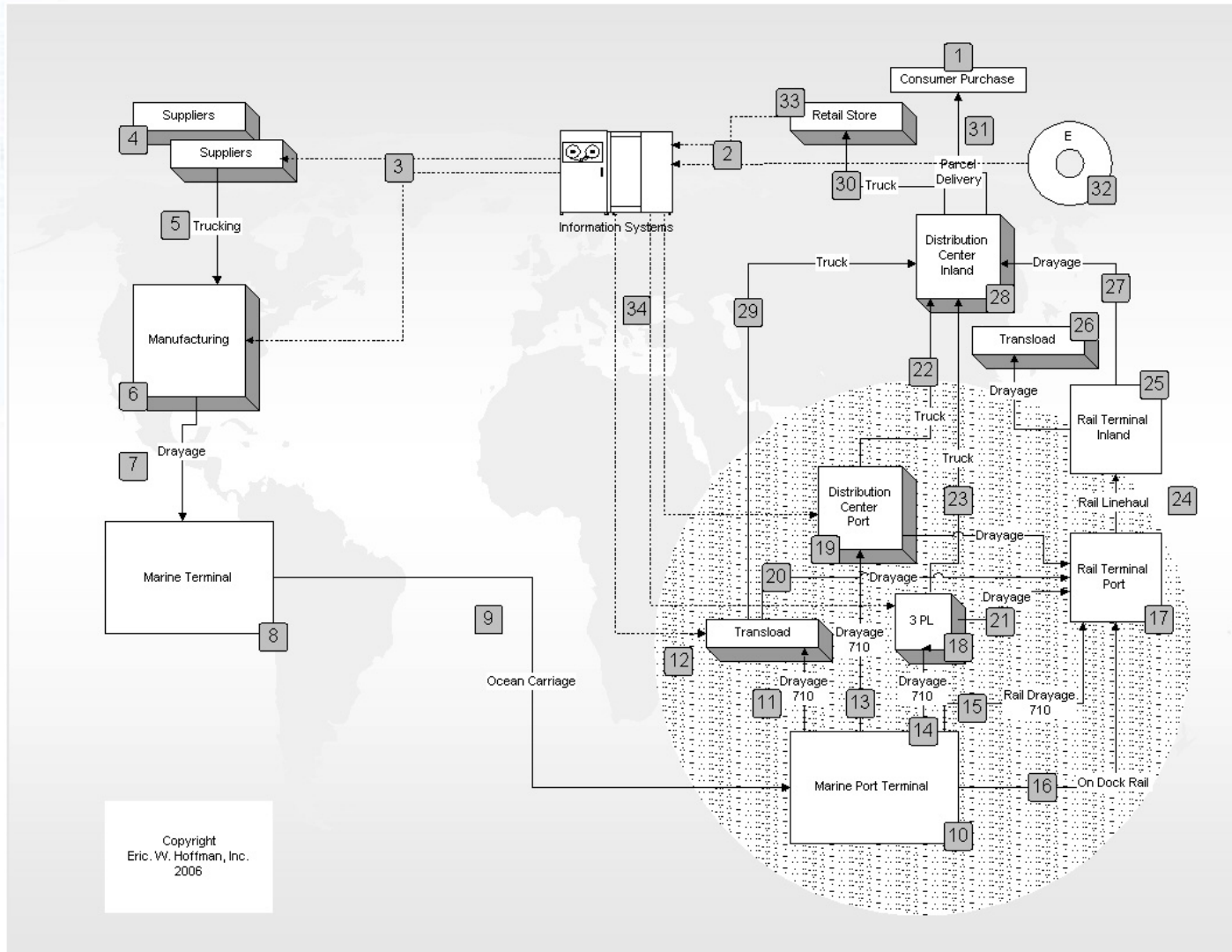


Good Inland Access





The So Cal Example



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The Ocean Shipping Environment

- Maritime Policy
- Shift to Foreign Owned Ocean Carriers
 - Controlled Ocean Carriers (Govt)
- Manufacturing Source Shift (China)
- Retail Logistics Shift
 - Wal*Mart Logistics Model
- Domestic Transportation Alternatives
- Ocean Shipping Reform Act (OSRA)
 - May 1, 1999



The Basics

- **Service Contracts** – Permitted by OSRA
 - **Group of Shipments**
 - Beneficial Owners
 - Trade
 - **Group of Services**
 - Trades
 - Operational
 - Space
 - Equipment
 - Terminals
 - **Group of Terms**
 - Payment
 - Liability
 - Surcharges

- **Bill of Lading**
 - Basic Transportation Document per Shipment



The Contracting Parties

- Shippers
 - Direct Shippers
 - Wal*Mart
 - Category Killers
 - Mass Merchandisers
 - Suppliers to Mass Merchandisers
 - Small Shippers
 - NVOCC's
 - Shipper's Associations
- Carriers
 - U.S. Flag
 - Foreign Flag
 - Controlled
 - Alliances
 - NVOCC's
 - *As of January 19, 2005 qualified intermediaries known as NVOCCs are now permitted to enter into confidential service agreements*



Top US Importers & Carriers

US Trade Importers	TEU's 2006		
Wal*Mart	705,000	*	
Target	402,000		
Home Depot	373,200		
Sears Holding	260,000		
Dole	222,200		
Lowes	176,900		
Costco	171,900		
LG Group	131,500		
Phillips	129,000		

US Trade Carriers	Import '06 (000)	Import '05 (000)	Change %
Maersk/Sealand 14.2%	2,654,581	2,782,003	-4.6
Evergreen 8.9%	1,669,013	1,519,375	9.8
Med Shipping 6.8%	1,261,921	1,035,313	21.9
Hanjin 6.6%	1,222,663	1,062,373	15.1
APL 6.2%	1,165,273	1,141,194	2.1
China Shipping 5.3%	986,599	710,854	38.8
Hapag/CP Ships 5.0%	934,871	967,107	-3.3
Cosco 4.4%	819,516	816,706	0.3
NYK* 4.3%	800,970	760,702	5.3



Ocean Carrier Contract

- Multiple Ocean Carriers
- Combined Domestic Transport
- Combined Logistics Services
- Liability Limits
- Assessorials
- Space & Equipment
- Terminal Activity
- Individual & Confidential
- *Application of Contract*
- *Effective Date & Term*
- *Minimum Volume Commitment; Dead Freight; Booking*
- *Disputes*
- *Rates & Charges*
- *Service; Carrier Liability*
- *Force Majeure*
- *Compensation & Payment*



Regulation in Shipping

- 1978 Airline Deregulation Act (CAB)
 - Phased out the federal government's (CAB) control over airfares and services
- 1980 Motor Carrier Act (ICC)
 - Partially decontrolled trucking
- 1980 Staggers Rail Act (ICC)
 - Railroads were permitted to determine where they ran trains and how much to charge.
- 1994 Shipping Act (FMC)
 - Expanded Contract Shipping
 - Conferences Independent Action
 - Protection for Small Shippers
- 1998 Ocean Shipping Reform Act (FMC)



Ocean Shipping Reform Act

Effective May 1, 1999

- Carriers will individually maintain tariffs and make them publicly accessible
- One or more carriers may negotiate individual or joint service contracts
- Contract rates, service terms and inland origin/destination points will no longer be publicly filed
- Competing, “similarly situated” shippers will not be able to demand the same terms contained in an existing, publicly filed contract



Bill of Lading

- Principal Transportation Document
 - Contract of Carriage
 - Short vs Long
 - Received vs On Board
 - Straight vs Order
 - Original vs Copy
- Charges & Terms

Any Container Line				BILL OF LADING			
SHIPPER/EXPORTER Export-Import Trade Software, Ltd 201 Arnold Ave. Suite J Pt. Pleasant, NJ 06611 UNITED STATES OF AMERICA				BOOKING NUMBER 123W8PT		BILL OF LADING NUMBER	
CONSIGNEE Exits China Inc. Friendship Hotel Software Road West Beijing 100001 Mao Sector CHINA (MAINLAND)				EXPORT REFERENCES Exporter File Number - M-China123456 Transaction Number - 456789 Letter of Credit Number - 88123456 Forwarder Reference Number - 45/123W		FORWARDING AGENT PIC NO. CIS NO.	
NOTIFY PARTY				ALSO NOTIFY - ROUTING & INSTRUCTIONS Keep cargo dry and away from heat.			
VESSEL SS Neversink	VOYAGE 001	FLAG US	B/LC OF RECEIPT BY SHIPPER	RELAY POINT NEW YORK, NY	POINT AND COUNTRY OF ORIGIN OF GOODS	LOADING PIERS Shed 1 Pt Newark	TYPE OF MOVE Breakbulk
PORT OF DISCHARGE SHANGHAI, CHINA			PLACE OF DELIVERY BY ON CARRIER		ORIGINALS TO BE RELEASED AT		
PARTICULARS FURNISHED BY SHIPPER							
QUANTITY & NO. OF CONTAINERS	NO. OF PKGS.	DESCRIPTION OF GOODS			WEIGHT	MEASUREMENTS	
Cartons 1/15	1	Skid containing 15 cartons 10 ea Quick Assistant Software-6 Diskettes "Smart Software for Exporters" 5 ea Software Kit. For PC's Interlink These commodities, technology or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. Law prohibited.			2450.00 lbs	64.00 CF	
This is a sample B/L generated by the Quick Assistant for Export Documentation Please call Exits, Inc. 8732/899/9030 to order your software.							
Freight PrePaid							
FREIGHT CHARGES	RATED AS	PER	RATE	TO BE PAID IN U.S. DOLLARS	TO BE COLLECTED IN U.S. DOLLARS	FOREIGN CURRENCY	
SUBJECT TO SECTION 7 OF CONDITIONS, IF SHIPMENT IS TO BE DELIVERED TO THE CONSIGNEE WITHOUT PAYMENT OF THE FREIGHT, THE CARRIER SHALL SIGN THE FOLLOWING STATEMENT: "THE CARRIER SHALL NOT MAKE DELIVERY OF THIS SHIPMENT WITHOUT PAYMENT OF FREIGHT AND OTHER LAWFUL CHARGES."				TOTALS		IN WITNESS WHEREOF THE CARRIER BY ITS AGENT HAS SIGNED	
SIGNATURE OF CONSIGNEE							
RECEIVED THE GOODS OR PACKAGES SHIPPER'S LOAD AND COUNT GOODS HEREINAFTER MENTIONED IN APPARENT GOOD ORDER AND CONDITION UNLESS OTHERWISE INDICATED TO BE DELAYED AS HEREIN PROVIDED, THE RECEIPT, CARRIER, DELIVERY, AND TRANSHIPMENT OF THE GOODS ARE SUBJECT TO THE TERMS APPEARING ON THE FACE AND BACK HEREOF, AND CARRIER'S TARIFFS ON FILE WITH THE INTERSTATE COMMERCE COMMISSION AND/OR THE FEDERAL MARITIME COMMISSION, WASHINGTON, D.C.							
LIABILITY LIMITED TO AMOUNT SPECIFIED IN SEC 16 UNLESS INCREASED VALUE DECLARED BY SHIPPER AS SPECIFIED BELOW:							
DECLARED VALUE				ORIGINAL BILLS OF LADING ALL OF THE SAME NUMBER AND DATE ONE OF WHICH BEING RECORDED THE OTHERS TO STAND VOID.			
**APPLICABLE ONLY WHEN USED AS A THROUGH BILL OF LADING AFTER MENTIONED IN APPARENT GOOD ORDER AND CONDITION UNLESS				BY _____ CARRIER			
**INDICATE WHETHER ANY OF THE CARGO IS HAZARDOUS MATERIAL UNDER DOT, IBCO, OR OTHER REGULATIONS AND INDICATE THE CORRECT COMMODITY NUMBER IN DESCRIPTION OF PACKAGES AND GOODS ABOVE.				BY _____ FOR SHIPPER			
				DATE _____			



Flag

Concept

- Country of registration
- Ship must obey laws and regulations of that country.

Ship owner can choose country of flag

- Developed countries tend to have stricter regulations.
- Developed countries' regulations result in higher standards for crew composition, training, working conditions.
- Developed countries tend to have higher taxes.
- Some flags are preferred over others.

Country	Number of Vessels	Tonnage in 000s of dwt
Panama	4,266	177,866
Liberia	1,328	76,322
Bahamas	999	41,835
Malta	913	30,971
Cyprus	867	31,585
Bermuda	95	6,206



Liability

United States and OSRA

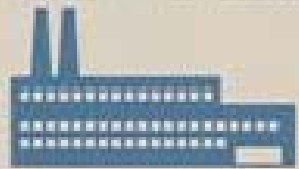
- The United States adopted the Ocean Shipping Reform Act in 1998.
- The OSRA allows shippers and carriers to enter into contracts that are confidential.
- The contracts allow negotiated terms in regards to shipping rates and other related issues.
- Some of these contracts expand the liability of the carrier beyond the COGSA requirements (Hague Rules), but the extent of these expansions is unknown.



In Class Exercise

Country A

Cost of Production =



\$1.00 and
Selling Price = \$1.50

Transport Cost =
\$.25



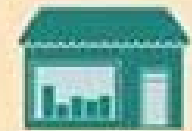
Tariff =
\$.15



Tariff Wall

Country B

Importer's Cost =



\$1.90 and
Selling Price = \$2.85

Recap

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