The American Brush Manufacturers Association is proud to announce the publication of the International Freight Shipping Guide. This guide was developed by D.F. Behme and Associates, the association’s freight consultants.

Almost all companies and industries are touched by international trade. The International Freight Shipping Guide is an important and useful tool for any company already engaged in international shipping or for those thinking about becoming involved. It is a multi-purpose publication that brings together information from many different sources and combines it into one convenient location.

The guide is organized into eleven sections:
- Background and History
- Service Providers
- Importing-An Overview
- Exporting-An Overview
- Tariff and Statistical Information Compliance
- Global Shipping Documentation
- Rules of Origin
- Packing, Packaging and Packaging Materials
- Liability and Insurance
- Terms of Sale and Payment
- Resources, Forms, Publications and Websites

The International Freight Shipping Guide represents the final piece of the ABMA Freight Manual, which was first published in 1999, and is made available to all ABMA members. The Freight Manual consists of the following Freight Shipping Guides, which have been fully updated:

- Motor Freight Shipping Guide
- Air Freight Shipping Guide
- Postal Shipping Guide
- International Freight Shipping Guide

The American Brush Manufacturers Association serves the broom, brush and mop making industry worldwide, and provides valuable benefits to its membership through a combination of sponsored services, networking and facilitator functions for the support of its members, and the industry as a whole.
# TABLE OF CONTENTS

## INTRODUCTION

### SECTION 1 - HISTORY OF REGULATION OF MOTOR FREIGHT TRANSPORTATION SERVICES

- **INTERSTATE COMMERCE ACT** ........................................ 2
- **MOTOR CARRIER ACT OF 1980** ..................................... 3
- **NEGOTIATED RATES ACT OF 1993** ................................ 3
- **TRUCKING INDUSTRY REGULATORY REFORM ACT OF 1994** ......... 4
- **INTERSTATE COMMERCE COMMISSION TERMINATION ACT OF 1995** .... 4

### SECTION 2 - MOTOR CARRIER PRICING

- **TRUCKLOAD PRICING** ............................................. 6
- **LESS-THAN-TRUCKLOAD PRICING** ................................ 6
- **FREIGHT CLASSIFICATION** ........................................ 6
- **CLASS RATE TARIFFS** ............................................ 7
- **LEGAL STATUS OF TARIFFS AND CLASSIFICATIONS** ............... 8
- **CARRIER PARTICIPATION IN CLASSIFICATIONS AND TARIFFS** ........ 8
- **PERSPECTIVE ON MOTOR CARRIER BUREAU RATES** ............... 8

### SECTION 3 - TRANSPORTATION CONTRACTS

- **UNIFORM BILL OF LADING** ....................................... 10
- **DESIGNATION OF RATES AND RULES** ............................ 11
- **INSTRUCTIONS FOR COD SHIPMENTS** ............................ 11
- **INSTRUCTIONS FOR FREIGHT COLLECT SHIPMENTS** ............ 11
- **VALUE DECLARATIONS** ........................................... 11
- **WARNING ON LIABILITY LIMITATION** ............................ 11
- **WARNING ON SHIPMENTS REQUIRING SPECIAL CARE** ............ 12
- **HAZMAT CERTIFICATIONS** .......................................... 12
- **DATE/TIME CERTAIN DELIVERIES** ................................ 12
- **HANDLING OF REFUSED OR UNDELIVERABLE SHIPMENTS** ......... 12
- **DELIVERIES TO THIRD-PARTY LOCATIONS** ....................... 12
- **CUSTOMIZED BILLS OF LADING** .................................. 13
- **MODIFIED UBL** .................................................. 13
- **SHIPPERS’ BILLS OF LADING** ................................... 13
- **INDIVIDUAL BILLS OF LADING** .................................. 13
- **CLASSIFYING AND DESCRIBING FREIGHT** ......................... 14
- **PERSPECTIVES ON USE OF THE UBL** ............................. 15
- **NEGOTIATED CONTRACTS AND AGREEMENTS** ....................... 16
  - **“STANDARD” CONTRACTS AND AGREEMENTS** .................... 16
  - **FULLY NEGOTIATED CONTRACTS AND AGREEMENTS** ............ 16

### SECTION 4 - FREIGHT SHIPPING RULES

- **ADVERTISING MATTER, DISPLAYS AND PREMIUMS SHIPPED WITH PRIMARY COMMODITIES** .......................... 20
- **ARRIVAL NOTICE AND NOTICE OF UNDELIVERED FREIGHT** .... 20
- **BASIS FOR RATES AND CHARGES** ................................. 20
# Motor Carrier Freight Shipping Guide

- **BILLS OF LADING** ........................................... 20
- **BLIND SHIPMENT RULE** .................................. 21
- **COLLECTION OF FREIGHT CHARGES AND PENALTIES FOR NON-PAYMENT OR LATE PAYMENT** ........................................... 21
- **COLLECT ON DELIVERY (COD) SHIPMENTS** ............... 21
- **CONSTANT SURVEILLANCE SERVICE** ............................ 22
- **CORRECTED BILLS OF LADING** ................................ 22
- **CUBIC CAPACITY RULES** ...................................... 22
- **CUSTOMS OR IN-BOND FREIGHT** ................................ 23
- **DANGEROUS ARTICLES** ....................................... 23
- **DENSITY BUMPING** .......................................... 23
- **DUAL DRIVER PROTECTIVE SERVICE** ............................ 23
- **DUNNAGE** ................................................................ 23
- **EQUIPMENT AND PERSONNEL DETENTION** ...................... 23
- **ESTIMATED FREIGHT CHARGE QUOTATIONS** .................... 24
- **EXCLUSIVE USE OF VEHICLES AND/OR TRAILERS** ............ 24
- **EXPORT, COASTWISE OR INTERCOASTAL SHIPMENTS - PLACE OF DELIVERY** ........................................... 24
- **EXTRA LABOR** ............................................. 24
- **FEES AND FINES FOR OVERWEIGHT LOADS** ................... 24
- **FORK LIFT SERVICE** .......................................... 24
- **HANDLING SERVICE** ......................................... 24
- **IMPRactical OPERATIONS** .................................... 25
- **INADVERTENT ACCEPTANCE RULES** .............................. 25
- **LIABILITY LIMITS** ........................................... 25
- **LIFT GATE SERVICE** .......................................... 25
- **LOADING BY CONSIGNOR AND UNloading BY CONSIGNEE** ........................ 26
- **MARKING AND TAGGING FREIGHT** ............................... 27
- **MILEAGE GUIDES** ........................................... 27
- **MINIMUM CHARGES** ......................................... 27
- **ABSOLUTE MINIMUM CHARGE** .................................. 27
- **SPECIFIC TRAFFIC MINIMUM CHARGES** ........................ 27
- **HAZMAT MINIMUM CHARGES** .................................. 28
- **CAPACITY LOAD MINIMUM CHARGES** ........................... 28
- **MIXED PACKAGES** .......................................... 28
- **MIXED SHIPMENTS** .......................................... 28
- **NOTIFICATION PRIOR TO DELIVERY** ........................... 28
- **ORDER NOTIFY SHIPMENTS** .................................. 28
- **OVER-DIMENSION FREIGHT** .................................... 29
- **OVERFLOW CHARGES** ........................................ 29
- **PACKAGING SPECIFICATIONS** .................................. 29
- **PALLETIZED FREIGHT** ........................................ 29
- **HEAVY FREIGHT** .............................................. 29
- **MARKING/TAGGING PALLETIZED FREIGHT** .................... 30
- **PALLETIZED MIXED SHI PMENTS** ................................ 30
- **SHRINK-WRAPPED OR UNITIZED PALLET FREIGHT** ............ 30
- **RETURN OF PALLETS OR CONTAINERS** ............................ 30
- **PAYMENT OR GUARANTEE OF CHARGES** ....................... 30
- **PICKUP AND DELIVERY (PUD) CHARGES** ....................... 31
- **PROHIBITED OR RESTRICTED ARTICLES RULES** ............. 31
- **PROOF OF DELIVERY** ........................................ 32
- **APPLIED-FOR RATE INCENTIVES** ................................ 32
<table>
<thead>
<tr>
<th>Section Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUEL SURCHARGES</td>
<td>32</td>
</tr>
<tr>
<td>CLASS RATE APPLICATION</td>
<td>32</td>
</tr>
<tr>
<td>LTL FREIGHT TENDERED AS A TL SHIPMENT</td>
<td>32</td>
</tr>
<tr>
<td>RECONSIGNMENT OR DIVERSION RULES</td>
<td>32</td>
</tr>
<tr>
<td>REDELIVERY SERVICES</td>
<td>32</td>
</tr>
<tr>
<td>RETURN OF UNDELIVERED FREIGHT</td>
<td>33</td>
</tr>
<tr>
<td>SEALS AND LOCKS APPLIED TO VEHICLE</td>
<td>33</td>
</tr>
<tr>
<td>SINGLE SHIPMENT CHARGES</td>
<td>33</td>
</tr>
<tr>
<td>SORTING AND SEGREGATION CHARGES</td>
<td>33</td>
</tr>
<tr>
<td>STOPOFFS</td>
<td>33</td>
</tr>
<tr>
<td>STORAGE CHARGES</td>
<td>33</td>
</tr>
<tr>
<td>TRANSFER OF LADING</td>
<td>34</td>
</tr>
<tr>
<td>TRANSPORTATION OF HAZMATS</td>
<td>34</td>
</tr>
<tr>
<td>VEHICLES FURNISHED BUT NOT USED</td>
<td>34</td>
</tr>
<tr>
<td>WEIGHING AND INSPECTION CHARGES</td>
<td>33</td>
</tr>
<tr>
<td>WEIGHT VERIFICATION CHARGES</td>
<td>34</td>
</tr>
<tr>
<td>SECTION 5 - LIABILITY, LIABILITY LIMITS AND CARGO LOSS AND DAMAGE</td>
<td></td>
</tr>
<tr>
<td>CARMACK AMENDMENTS TO THE ICA</td>
<td>36</td>
</tr>
<tr>
<td>LIABILITY UNDER THE ICCTA</td>
<td>36</td>
</tr>
<tr>
<td>CARRIER ACTIONS REGARDING LIABILITY LIMITS</td>
<td>36</td>
</tr>
<tr>
<td>REGULATORY AGENCY AND COURT ACTIONS ON LIABILITY LIMITS</td>
<td>37</td>
</tr>
<tr>
<td>CARGO OR LOSS, DAMAGE OR SHORTAGE CLAIMS</td>
<td>38</td>
</tr>
<tr>
<td>PERSPECTIVE ON THE LIABILITY LIMIT DEBATE</td>
<td>40</td>
</tr>
<tr>
<td>SECTION 6 - OVERCHARGE AND UNDERCHARGE CLAIMS</td>
<td></td>
</tr>
<tr>
<td>DEFINITION OF OVERCHARGE AND UNDERCHARGE</td>
<td>42</td>
</tr>
<tr>
<td>STATUTES OF LIMITATION</td>
<td>42</td>
</tr>
<tr>
<td>DUPLICATE PAYMENT OF FREIGHT BILLS</td>
<td>42</td>
</tr>
<tr>
<td>THE 180-DAY STATUTE OF LIMITATION</td>
<td>43</td>
</tr>
<tr>
<td>UNDERCHARGE BILLS - SPECIAL UPDATE</td>
<td>44</td>
</tr>
<tr>
<td>SECTION 7 - CREDIT RULES AND NON-PAYMENT PENALTIES</td>
<td></td>
</tr>
<tr>
<td>CREDIT REGULATIONS</td>
<td>47</td>
</tr>
<tr>
<td>ABUSE OF PENALTY PROVISIONS</td>
<td>48</td>
</tr>
<tr>
<td>SERVICE CHARGES FOR LATE-PAYMENT OF FREIGHT BILLS</td>
<td>48</td>
</tr>
<tr>
<td>RECOVERY OF COLLECTION EXPENSE CHARGES</td>
<td>49</td>
</tr>
<tr>
<td>STATUS OF THE “LATE-PAYMENT” LOSS OF DISCOUNT PENALTY</td>
<td>49</td>
</tr>
<tr>
<td>THE HUMBOLDT COURT PROCEEDINGS</td>
<td>49</td>
</tr>
<tr>
<td>PERSPECTIVE ON MOTOR CARRIER CREDIT RULES</td>
<td>50</td>
</tr>
<tr>
<td>SECTION 8 - CERTIFICATIONS, DECLARATIONS, FORMULAS AND OTHER REQUIREMENTS</td>
<td></td>
</tr>
<tr>
<td>AFFECTING RATE APPLICATION</td>
<td></td>
</tr>
<tr>
<td>BUMPING</td>
<td>52</td>
</tr>
<tr>
<td>DENSITY BUMPING</td>
<td>52</td>
</tr>
<tr>
<td>WEIGHT BUMPING</td>
<td>53</td>
</tr>
<tr>
<td>DECLARATIONS</td>
<td>53</td>
</tr>
<tr>
<td>MIXED SHIPMENTS</td>
<td>54</td>
</tr>
</tbody>
</table>
MOTOR CARRIER FREIGHT SHIPPING GUIDE

INTRODUCTION

All freight, at one point or another, is transported on a truck. Because motor carriers play such a pervasive role in freight transportation, this guide is dedicated to providing an overview of those services and their use.

The guide includes a brief history of motor carrier freight transportation regulation and its evolution to its present state. The primary focus is the current regulatory scheme and its impact on system users. Service, pricing and contracting are discussed along with other issues with which the contemporary freight transportation distribution and procurement function is involved.

The guide is written for a diverse readership. It provides upper-level management and corporate officers a knowledgeable overview of the transportation procurement and distribution function. This facilitates planning, supervision and administration. It can be an integral part of any training program for supervisory and new employees. Finally, it contains information that, if properly applied, helps control freight transportation and distribution costs.
SECTION 1

HISTORY OF REGULATION OF MOTOR FREIGHT TRANSPORTATION SERVICES

The nation’s freight transportation industry originally was not regulated. Regulation first occurred over 100 years ago, when railroads were subjected to economic regulation because of perceived abuses of monopolistic power. Motor carriers came under the regulatory umbrella in 1935. Regulation was absolute, addressing both the economic and safety aspects of carriers’ operations.

INTERSTATE COMMERCE ACT

The primary regulator of the motor carrier freight transportation industry has always been the federal government. The Interstate Commerce Act (ICA) provides the authority and it extends to all interstate (between states) services and operations. Authority was exercised by the Interstate Commerce Commission (ICC) in the past. State governments imposed regulations also but control was limited to intrastate (within state) operations.

Motor carriers were licensed, limited to serving named routes and geographic areas, limited to hauling specific commodities, and were subject to a common carrier service obligation. A carrier could not decline service to any shipper, requesting service for commodities the carrier was authorized to haul, within the geographic territory it was authorized to serve.

Pricing was rigidly controlled. Ultimately the industry was granted antitrust immunity allowing it to collectively set rates for all services. A system of motor carrier tariff bureaus served as the mechanism for accomplishing collective ratemaking. Each bureau was responsible for a specific geographic territory.

All rates were published in bureau-issued tariffs, were filed with the ICC, and were available to the public. A structure of class and commodity rates was developed, based on a freight classification rating system. A filed rate doctrine, holding that deviations from published rates were illegal and resulting charges uncollectible, was strictly enforced.

Transportation contracts were allowed, but only under the most limited circumstances. They had to be filed with the ICC and all contracts were subject to public disclosure. Motor contract carriers could only serve a few shippers and could haul just a few commodities. Minimum shipping volumes were prescribed thus limiting contracts to only the highest volume shippers.

States exercised virtually identical regulatory control over intrastate carrier service. State regulation was typically administered and enforced by either specially designated commissions or by public utilities commissions.

The trade-off for all of this regulatory control was pricing and service stability. Similarly situated shippers were assessed identical class or commodity rates and afforded identical service. Competition among carriers was almost nonexistent.
MOTOR CARRIER ACT OF 1980

The Motor Carrier Act of 1980 (MCA) changed all of this. The MCA began the process of deregulating the motor carrier industry and creating a more competitive environment. While the MCA did not completely deregulate motor carriers, it opened the doors significantly. The two most important deregulation gains resulting from the MCA were (1) removal of barriers to entry into service and (2) the introduction of limited pricing freedoms.

Before the MCA, motor carriers went through a complicated process to obtain service rights. Carriers serving the routes and hauling the commodities a new entrant filed to serve, would oppose the new entrant’s application. The process was so draconian that few new entrants could ever satisfactorily demonstrate a public need for their service. Competition was stifled. The MCA did not totally deregulate entry but it changed the process considerably. Ultimately any carrier meeting minimum insurance requirements, and demonstrating it was fit, willing and able, was allowed to provide service. Territorial and commodity restrictions were lifted. Thousands of new carriers began operation and existing carriers expanded their service.

The MCA also eased some pricing restrictions. The antitrust immunity, allowing collective ratemaking, was condensed. For the first time, carriers were allowed to publish and file rates and rules for their own individual use. Bureaus were specifically precluded from interfering with independent carrier rates and rules. While all rates still were filed with the ICC, and the filed rate doctrine applied, for the first time deviation from bureau rates and rules was allowed. Individual carriers immediately began developing their own pricing.

While the new pricing freedoms were welcomed, they did not lead to a more simplified pricing system. The old system involving classification ratings survived. Carriers exercised their independent pricing freedom by offering discounts off bureau rates.

NEGOTIATED RATES ACT OF 1993

The controversy over the idea of total deregulation of motor carriers continued. Some favored total economic deregulation while others favored limited oversight. Politicization of the ICC resulted in its issuing some ill-conceived and legally flawed regulatory decisions. It believed its decisions, administratively deregulating motor carriers, bypassed the need for Congressional legislative. The most questionable of these caused many shippers and carriers to believe the filed rate doctrine did not apply under certain circumstances.

In the meantime, economic downturns and production falloffs, which shrunk the quantity of freight available for hauling, combined with tremendous industry expansion, to create over-capacity. This in turn began to drive rates down rapidly and, in some cases, to levels that were not profitable. Thousands of motor carriers were driven into bankruptcy. New companies were among the first victims but they were quickly followed by carriers that were industry leaders.

Bankruptcy trustees, in keeping with their responsibilities, began casting about for ways to recover funds to pay off creditors. They immediately focused on the ICC’s flawed filed rate doctrine pronouncements, taking note of the approximately one million discounted rates that had never been properly published and/or filed with the ICC. The U.S. Supreme Court overturned the ICC’s rulings and the undercharge claim crisis was in full swing. Shippers found themselves collectively
paying hundreds of millions of dollars, in additional freight charges, for shipments transported up to five years before the given carrier went bankrupt. Estimates are that more than $1.5 billion was collected.

The undercharge crises led to the Negotiated Rates Act of 1993 (NRA). The NRA put into place a series of defenses that shippers could use against undercharge claims. It established new criteria, which if met, allowed the undercharge claim to be dismissed or settled using a specific formula. The NRA reduced the statute of limitations applicable to overcharge and undercharge claims to twenty-four and then to eighteen months. It addressed some new rate practices that had emerged in the semi-deregulated freight pricing world, allowing some and prohibiting others.

**TRUCKING INDUSTRY REGULATORY REFORM ACT OF 1994**

The Trucking Industry Regulatory Reform Act (TIRRA) eliminated the requirement that individually determined rates had to be published in tariffs and filed with the ICC. This had the effect of eliminating the filed rate doctrine as it applied to individually determined rates. Collectively determined rates, those set using the antitrust exemption, still had to be published and filed. TIRRA further eased entry into service. A carrier only needed to demonstrate safety fitness and the ability to meet minimum financial responsibility requirements. It reduced the statute of limitations on undercharge and overcharge claims to six months which ended most but not all undercharge claims filed on behalf of bankrupt motor carrier estates.

TIRRA accomplished about 85% deregulation of motor carriers, but it contained a number of statutory anomalies that created difficulties. For example, while it effectively deregulated motor common carriers, it left rigid regulations in effect for motor contract carriers. Common carriers had service and pricing freedoms while contract carriers were still restricted. Another contradiction, negotiated rates were left susceptible to rate reasonableness challenges. Generally these were individually determined rates that were not publicly disclosed. It was extremely unlikely that the shipper that negotiated the rates would then turn around and file a reasonableness challenge to its own negotiated pricing.

**INTERSTATE COMMERCE COMMISSION TERMINATION ACT OF 1995**

Because of the gray areas left by TIRRA and a desire to totally deregulate motor carriers, the Interstate Commerce Commission Termination Act (ICCTA) was enacted. It accomplished 98% deregulation of the nation’s motor carriers. It abolished the ICC and created the Surface Transportation Board (STB). All safety regulation was transferred to the U.S. Department of Transportation (DOT).

Motor carriers were left with a very limited antitrust exemption under which they set joint rates and rates applicable to noncontiguous traffic (freight moving between the continental U.S. and Hawaii, Alaska, and U.S. possessions and territories). They also use the immunity to accomplish freight classification and to enact general rate increases to bureau rates. Credit, cargo claim and liability, and overcharge and undercharge regulations are the only economic regulations of any consequence that remain in effect. They appear minimal but manage to work their mischief as will be seen.
Intrastate regulation of motor carriers has declined in direct correlation to federal regulations. No state is allowed to impose regulations that are more stringent than federal regulations unless motor carriers consent. This is a peculiar situation, as few if any motor carriers, would consent to any form of economic regulation on a state level. Many states have opted for total deregulation.

Safety regulations remain in effect at both federal and state levels. The federal government has primary jurisdiction while the states do most of the enforcement with the help of federal funds. Most states adopt federal safety regulations intact. Safety regulations focus on vehicles, equipment and drivers. They address everything from types of reflectors on trucks to commercial drivers’ licenses.

The ICCTA, in keeping with what seems to have become a tradition with legislation to deregulate motor carriers, managed to create some applicability gray areas which require court resolution or clarifying legislation. One of those areas involves the need for common vs. contract motor carrier authority. Another is concerned with the ability of carriers to unilaterally limit their liability in case of cargo loss or damage. There are others, which has caused some shippers to get behind an effort to get Congress to enact clarifying legislation. Such legislation is not expected to occur much before 2000, if at all.

Summaries of the key provisions of the NRA, TIRRA and ICCTA are in Appendix A.
SECTION 2

MOTOR CARRIER PRICING

Despite all of the regulatory changes that have occurred in the industry since 1980, motor carrier pricing is still based on and intimately tied to the pre-deregulation pricing system. The system of linked freight classifications and tariffs is firmly entrenched, but has been modified to accommodate competitive pricing environments. Motor carrier pricing naturally breaks itself into two categories — truckload (TL) and less-than-truckload (LTL).

TRUCKLOAD PRICING

TL pricing is the simplest. Generally, TL freight rates are mileage-based or are flat charges per load. In both cases, the commodity being hauled usually is not a factor when calculating final freight charges. Weight and distance are the primary considerations.

Mileage-based rates are simply a charge per mile traveled. Sometimes there can be some caveats such as minimum or maximum distances, or minimum or maximum weights. Flat charges per load are just as simple. Minimum or maximum weights often apply and origin and destinations are usually specified.

LESS-THAN-TRUCKLOAD PRICING

LTL pricing is considerably more complex than TL pricing. Freight charges are developed from a combination of factors including classification ratings, shipment weight, density/cubage, origin and destination. Two basic publications determine descriptions and rates for shipping LTL freight via motor common and contract carriers. They are classifications and tariffs.

Classifications and tariffs are interdependent and are legally binding on the carrier participating in them and the shippers using those participating carriers, unless they mutually agree to other terms. Freight classification is the core of the LTL pricing system so an understanding of that process is required.

FREIGHT CLASSIFICATION

Classifications are listings or catalogs of commodities, products and virtually anything that can be hauled by a truck. They describe the commodity and assign a numeric value, a classification rating, to each.

Classification ratings are devised by evaluation of specifically defined transportation characteristics. The primary characteristic is density, a measurement developed from the freight’s weight and dimensions. Some other characteristics evaluated in this process are value (for purposes of assessing loss and damage risk) and handling/stowing characteristics.

The classification evaluation produces what is known as a classification rating. A classification rating is a numeric value, not a dollar and cents value, as opposed to a class rate that is a dollar and cents value. Classification ratings range from Class 50 to Class
500 with Class 100 being the average or norm. The other class ratings are multiples of 100. For example, Class 500 is 500% of Class 100, or Class 77.5 is 77.5% of Class 100. Some 15,000 descriptions, with LTL classification ratings, are itemized in the current National Motor Freight Classification (NMFC). They cover most, if not all, known commodities being shipped today.

The NMFC is modified (descriptions and ratings changed or added) through a process in which shippers are allowed limited participation. Shippers may present arguments about proposed changes and can propose modifications. Final decision on any proposed change or modification is made by motor carriers through their 100-carrier member National Classification Committee (NCC) and its associated hearing panels. The modifications are then published and are used by shippers and motor carriers to determine class rates.

There are other freight classifications available besides the NMFC. They include the Coordinated Freight Classification, produced by the New England Motor Carrier Tariff Bureau, and the Code 2 Freight Classification, published by Northeast Tariff Corporation. However, the NMFC is the dominant publication.

**CLASS RATE TARIFFS**

Class rate tariffs are publications that assign prices based on classification ratings. Class rates are the dollar and cents values that determine the final charges billed by the carrier. The higher the classification rating, the higher the tariff rate. Typically, as with classification ratings, tariff rates look at Class 100 as the average or norm. Other class rates are percentile relationships to the Class 100 rate but usually are not exact. For example, the percentile relationship between a Class 70 rate and a Class 100 rate might be 73% or 68%. It depends on the tariff or carrier.

Rates are published by rate bureaus on behalf of the carrier(s), or by individual carriers for their own use. Carriers wishing to use bureau rates can incorporate them by reference in their tariffs, contracts and agreements. Some carriers opt to adopt another carrier’s tariff as their rate basis.

The rates assessed for services, in most cases, are not the full retail or list price rates published in the tariffs. Usually they are modified, discounted, or otherwise “customized.” Freight-all-kind (FAK) rates are a typical example. FAK rates apply on shipments of multiple commodities, subject to different class rates, that are usually tendered together in mixed lots.

For example, suppose the shipper has freight classified as Class 70, Class 85, Class 100 and Class 125. The shipper and carrier may determine that Class 85 is a representative average for the shipments as normally tendered. The carrier then agrees to an FAK rate, at the Class 85 level, for that shipper’s account. The rate could be further modified with additional discounts or allowances.

Released rates are another type of special application rate. In this instance the carrier affords the shipper lower rates in return for the shipper agreeing to assume part of the risk in case of loss or damage to the freight. Another is actual value rates. These rates are determined by the value of the freight — the higher the value the higher the rate.
In addition to rates, tariffs also contain special charges for accessorial services, all rules applicable to shipments the carriers accept, service definitions, and any penalties that may be imposed for failure to comply with tariff rules. Many of these rules and special charges are discussed in Section 4 of this guide.

LEGAL STATUS OF TARIFFS AND CLASSIFICATIONS

The ICCTA mandates that any carrier wishing to transport freight must publish a tariff, but it is only obligated to make that tariff available to its customers if they request it. Despite this, the tariff is legally binding on the carrier and the shipper unless they have an agreement that provides other terms, rates and charges.

CARRIER PARTICIPATION IN CLASSIFICATIONS AND TARIFFS

In order for a carrier to be a party to a tariff or classification that it does not publish on its own, it must file a power of attorney and pay specified fees to the publishing agent. If the carrier fails to execute a power of attorney or pay assessed fees, it is not a legal participant. Any rates it assesses can be declared null and void. Some publishing agents take this prohibition very seriously. Its legal impact on shippers is questionable. One instance where it could be of value would be when a carrier attempts to impose some after-the-fact undercharge collection that the shipper challenges. It could be a valuable defense.

PERSPECTIVE ON MOTOR CARRIER BUREAU RATES

A unique situation has evolved since motor carriers were deregulated. Collective ratemaking has been limited by each deregulation statute. Presently, motor carriers may collectively set joint rates and rates applicable to “non-contiguous” (offshore) shipments — shipments moving between the continental U.S. and Alaska, Hawaii, and U.S. territories and possessions.

The limited immunity is also used to enact general or across-the-board rate increases to the various class rate structures the bureaus publish. The resulting rates have reached levels that are competitively useless. Motor carriers, however, continue to find it convenient to use bureau class rates as the basis for their own rates rather than publish their own. They apply discounts to bring the bureau rates in line with marketplace realities. The discounts are often as high as 80%. Many carriers use bureau rates that were in effect three, four or five years ago, ignoring subsequent general rate increases. They often offer discounts as well.

Because the bureau’s class rate pricing structure is far removed from competitive realities, shippers are calling for abolishment of the antitrust immunity, at least as it allows general or across-the-board rate increases. The STB agrees. In December 1998, it renewed the bureaus' antitrust exemption for one year. However, any further extensions of the immunity are contingent on the bureaus bringing their rates in line with the marketplace.

The STB agreed with the bureaus’ position that many industries use a pricing scheme that relies on inflated retail prices that are discounted for actual sales. However, the STB noted that none of those industries is provided with a special exemption to antitrust laws to allow them to collectively
set the inflated prices. The bureaus contend that no shippers pay the full retail price, but evidence has been presented to the contrary.

The bureaus have appealed the decision, but it is not likely the STB will withdraw its mandate on its own. It will likely take a court order or Congress will have to legislate this type of pricing structure if it is to be accomplished with an antitrust exemption. The matter is not expected to be finally resolved until the end of 1999 or early 2000.

In late 2001, the motor carrier rate bureaus were ordered by the STB to come up with a pricing scheme that corrected and/or warned of the inflated relationship between bureau published rates (“list prices”) vs. rates actually charged in the marketplace. As this revision is published, the final rules have not been issued.
SECTION 3

TRANSPORTATION CONTRACTS

Deregulation has made the carrier-shipper relationship like other commercial relationships. That is, it is defined by its service providers (carriers) and customers (shippers) using contracts and agreements as opposed to being defined by government. This discussion focuses on the primary types of agreements, bills of lading and negotiated contracts, currently used to offer and procure transportation services.

The first and most basic transportation agreement or contract is the bill of lading. Often, it is the only contract governing the transportation of a shipment. The bill of lading assumes several other legal roles to include acting as a receipt for acceptance and delivery of a shipment. It should be thoroughly understood by all parties.

UNIFORM BILL OF LADING

The most commonly used bill of lading is the Uniform Bill of Lading (UBL) published in the NMFC. It is a copyrighted document as opposed to a public domain document. Shippers and carriers using it are technically required to obtain a no-charge use license from the publishers of the NMFC.

If a shipper and carrier have no other agreement, or their existing agreement does not specify which governs, the UBL is typically the controlling contract. This means the shipment is tendered, accepted and transported according to UBL terms.

Terms and conditions of the UBL are found on the face of the document and on the reverse side. They include the usual protection for the carrier concerning Acts of God, war and civil disturbance. There are several terms and conditions that are of particular note to parties to the agreement. They are enumerated below.

- Designation of rates and rules to apply
- Instructions for COD shipments
- Instructions for freight collect shipments
- Value declarations
- Warning on liability limitations
- Warning on shipments requiring special care
- Hazardous Materials (HazMat) Certifications
- Date/time certain deliveries
- Handling of refused shipments
- Delivery of freight to third-party locations
DESIGNATION OF RATES AND RULES

The UBL term that provides this instruction reads as follows:

“Received, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classification and rules established by the carrier and are available to the shipper, on request.”

This key provision instructs both parties about which rates and rules govern the entire service process. It is clear that only written agreements supersede application of tariffs or classifications. The term “written agreement” is not specifically defined. It can be reasonably presumed to include any type of written agreement, understanding or contract the shipper and carrier may have in place. If no written agreement exists, classifications and tariffs govern the transportation services, assessment and payment of charges, recovery of any loss or damage that might occur — in short, the entire process.

INSTRUCTIONS FOR COD SHIPMENTS

If a shipment is transported with instructions to collect payment for the merchandise upon delivery, the shipper is required to insert the letters “COD” before the consignee’s name. The shipper must also complete the section of the UBL that provides detailed instructions on the amount to collect, where it is to be remitted, and the acceptable form of payment.

INSTRUCTIONS FOR FREIGHT COLLECT SHIPMENTS

If a shipment is sent freight collect, the consignor (shipper) must indicate that fact in the box provided on the face of the UBL. The shipper may optionally execute the non-recourse clause. The non-recourse clause protects the shipper in the event the carrier fails to collect the freight charges, or if the carrier extends credit for the freight charges to the consignee and the consignee subsequently fails to pay them. However, the shipper remains liable for the freight charges if there is “an erroneous determination of the freight charges...based upon incomplete or incorrect information provided by the consignor.” The complete terms of the non-recourse clause (Section 7) are printed on the reverse side of the UBL. Note that many shippers routinely execute Section 7 whether or not the freight charges are collect.

VALUE DECLARATIONS

Note (1) on the face of the UBL concerns value declarations. It says that if the rate is dependent on the value of the commodity, the shipper must make a value declaration. A one-sentence value declaration statement is included. The value declaration comes into play when rates depend on actual or released value.

WARNING ON LIABILITY LIMITATIONS

Note (2) on the face of the UBL advises the shipper that liability limitations may apply in
the event the shipment is lost or damaged. It is the shipper's responsibility to determine if the carrier has included liability limits in tariffs or classifications that govern the service.

**WARNING ON SHIPMENTS REQUIRING SPECIAL CARE**

Note (3) on the face of the UBL advises the shipper that commodities requiring special handling or stowing must be marked and packaged to ensure safe transportation with ordinary care. Typically the classification that governs the service contains packaging and marking requirements for all shipments including those requiring special handling.

**HAZMAT CERTIFICATIONS**

Both shipper and carrier are required to make certain certifications if the shipment contains commodities subject to DOT Hazardous Material (HazMat) Regulations. The shipper certifies the materials are properly classified, packaged, marked and labeled according to applicable regulations. The carrier acknowledges receipt of the packages and any required placards and emergency response information.

The balance of the face of the document is concerned with delivery instructions, consignor/consignee identification data, and shipment descriptions for billing purposes. The reverse of the UBL contains terms and conditions applicable to all shipments accepted under the UBL contract. Several key provisions are discussed below.

**DATE/TIME CERTAIN DELIVERIES**

The UBL provides that carriers are not responsible for making deliveries by a certain time or date unless the shipper arranges for the service, in writing, prior to shipment.

**HANDLING OF REFUSED OR UNDELIVERABLE SHIPMENTS**

If a consignee refuses a shipment, or the carrier cannot make delivery because of the fault or mistake of the consignor or consignee, the carrier will ask for disposition instructions from the consignor. Two attempts will be made, but if the carrier has not received instructions within ten (10) days of the second attempt, it can sell the merchandise. Time is shorter if perishable merchandise is involved. Proceeds from the sale of the merchandise first pay the carrier’s transportation, storage and other lawful charges. The remaining proceeds go to the owner of the merchandise, but only upon proof of ownership and filing of claim.

**DELIVERIES TO THIRD-PARTY LOCATIONS**

If a consignee or consignor orders a carrier to unload or deliver a shipment at a location where neither is regularly situated, the carrier bears no risk for the shipment after it has been placed where directed.

Descriptions of the UBL contract terms are found in Appendix B.
CUSTOMIZED BILLS OF LADING

Shippers and carriers are free to negotiate any transportation terms and conditions they wish. Most typically, the negotiated terms are contained in separate contracts or agreements. However, a bill of lading is still required to process the shipment because it plays more than one legal role in the transportation process. It is a receipt, helps determine ownership of the goods, and helps determine liability among other things.

MODIFIED UBLs

The UBL is a core document even in the most complex negotiated agreements. If nothing else, it serves as the starting point for developing a customized bill of lading. Usually, one or another negotiated term changes the terms and conditions of the UBL. Shippers and carriers approach this problem in one of two ways. They use the UBL as is with the caveat that if there are differences the negotiated contract governs, or they modify it to suit their particular circumstances. This is the first type of customized bill of lading.

SHIPPERS’ BILLS OF LADING

The second type of customized bill of lading is the so-called shipper’s bills of lading developed by at least two shipper associations. One, developed by the National Small Shipment Traffic Conference (NASSTRAC), has found some acceptance by both shippers and carriers. It is viewed as balanced. Another, developed by the Transportation Consumer Protection Council (TCPC), has not found broad carrier acceptance because it is viewed as one-sided by the carriers.

INDIVIDUAL BILLS OF LADING

The third form of customized bills of lading is that developed by individual shippers or carriers. A few large shippers have developed their own bills of lading that they request their carriers use. Sometimes the carriers refuse and in others they agree. Some carriers have taken a page from that book and developed their own bills of lading. Again, all are usually based on or taken from the UBL.

Some customized bills of lading present problems. Modified UBLs that are negotiated between a single carrier and single shipper usually presents no problems. Two informed parties engage in a dialog, and create a mutually agreeable document — a usual business practice.

Shipper organization authored bills of lading can be problematic. This was demonstrated by acceptance of one version by both parties and rejection of another version by one of the parties.

Individual bills of lading are often problematic. Obviously there are both shippers and carriers, economically capable in a given relationship, of forcing their own special contract on the other party. Take it or leave it situations are not new to the freight transportation procurement process. However, economic might does not necessarily produce an enforceable document. If the terms and conditions of the bill of lading are onerous or too one-sided, it will not be enforceable if challenged in the courts.
Individualized bills of lading have, on occasion, twisted the UBL in other ways. A rather distasteful practice that has arisen lately is that of carriers or shippers unilaterally modifying one or another term of the UBL without the knowledge of the other party. Typically, the document tendered for use looks like the usual UBL. However, it has been reprinted, usually with the fine print being subtly revised to the advantage of one party and the disadvantage of the other.

Carriers have protected themselves from this practice by publishing rules in their tariffs that provide, regardless the bill of lading the shipper uses, the terms and conditions of the UBL apply. The only exception is if designated corporate officer(s) agree, in writing, to a different bill of lading. Shippers have no such defense. While they can address the problem in negotiated contracts, for the most part they have to rely on their own periodic review of the bill of lading in use and the honesty of the carrier.

**CLASSIFYING AND DESCRIBING FREIGHT**

The other primary shipper concern in completing a bill of lading, is inserting the appropriate freight description. While the carrier is legally charged with preparation of the bill of lading, few shippers allow the carrier to select the rating description applicable to their freight. It also is not practical for carriers to prepare the bills of lading. The entire transportation system would go into slow motion and be strangled by delays while carrier employees and drivers executed bills of lading. Reality dictates shippers prepare the bill of lading.

In many cases, shipments are subject to special/negotiated rates or tariff provisions. These provisions may specify a billing description that must be used. However, in most cases the NMFC is the basis for the billing description. As freight classification is a precise legal function, descriptions used must be those most appropriate and suitable to the commodity being shipped.

If the classification description specifies the article be constructed of wood, it cannot be used to rate the same article when constructed of another material. If the description contains the phrase "NOI" (meaning not otherwise indexed) it means it can only be applied if there is no description elsewhere in the publication that describes the article more specifically.

Classifications group commodities by type, use or purpose. These groupings are called generic groups or headings. Sometimes generic group headings are further defined to explain their exact application. However, not all classification entries applicable to a particular generic group are listed under that heading. Often, an article or product may have multiple applications. In these instances, the rating description is placed in the generic grouping considered most descriptive of its multiple uses. The following procedure should be followed when classifying an article for transportation:

1. Check for a specific NMFC item applicable to the product;
2. If a specific item cannot be found, check for an appropriate "NOI" entry;
3. If neither a specific nor an "NOI" entry can be located (something that is unusual but does happen), classification must be performed by analogy. Analogous classification is complicated so assistance should be sought.

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**ABMA/D. F. Behme & Associates**  
**Motor Carrier Freight Shipping Guide**  
October 2002 (Revised)  
14
Deliberate misdescription of a product to obtain lower ratings is illegal and enables the carrier to collect freight undercharges. Errors and disputes between shippers and carriers regarding the applicable description do occur. Legitimate disputes are not normally viewed as deliberate misdescription.

**PERSPECTIVES ON USE OF THE UBL**

The UBL was recently revised by a joint carrier-shipper working group. The revisions involved modest modifications to its basic terms. The primary focus was modernization and making the document user-friendly. The result was generally accepted, but did not eliminate all controversies concerning some of the UBL’s specific terms.

There are two views about what the document is and who should use it. For the most part, carriers believe it lays out their terms for hauling freight. Some shipper organizations view it as a one-sided contract and advise against using it. This faction says shippers should have their own bills of lading and should not do business with any carrier that will not agree to its terms. A little perspective is in order.

Any business offering a service or product has the right to offer it on its own terms. Plumbers, home builders, printers, manufacturers, all do the same thing. The carriers’ perspective that the UBL simply establishes the terms upon which they are willing to do business is correct. Shippers having difficulty with any of the terms or conditions can negotiate mutually acceptable alternatives.

It also should be understood, the UBL is a legally tested, proven, enforceable contract. It is not viewed as one-sided or unreasonable by the courts. It can be used as is, with a reasonable degree of safety. It is not an unworkable document for either side, providing both take the time to understand its terms and conditions.

One critical element to understand is the role classifications and tariffs play. When things go wrong, most typically, it is classification and tariff provisions that are the hobgoblins. If no other written agreement exists between the shipper and carrier, they control. Therefore, it is the shipper’s responsibility to find out what rates and rules apply to its shipments. The carrier is statutorily required to provide the information when requested.

Requesting pricing and rule information from a carrier should not unnecessarily burden a shipper. It is a usual and customary business practice to learn the cost of a service before agreeing to use it. Procuring motor carrier freight transportation services is no different.
NEGOTIATED CONTRACTS AND AGREEMENTS

Motor carrier deregulation created a tremendous upsurge in the use of custom negotiated agreements and transportation contracts. They come in a variety of forms. They can be as simple as a letter of agreement, a simple offer of certain rates that the shipper signs and returns to accept, a brief straightforward contract, or a 70-page piece of legal brilliance. For purposes of discussion, negotiated contracts and agreements will be separated into two broad categories: “standard” contracts and agreements and custom contracts.

“STANDARD” CONTRACTS AND AGREEMENTS

There is no true “standard” contract or agreement (other than the UBL) used by all carriers and/or shippers. What is meant here by “standard” contract or agreement is the pre-prepared letters of offer or pre-prepared contracts that carriers may initially tender to a shipper, particularly one that is a modest revenue prospect. Typically, they offer rate discounts and may offer other prerequisites such as a longer time to pay freight bills without incurring penalties. They usually require the use of the UBL (or the carrier’s version thereof) and all shipments are subject to the carrier’s rates and rules tariffs except as modified by the letter of agreement or standard contract.

The standard contract or agreement is generally fluid and is usually susceptible to some minor negotiation and/or it is designed to be modified by the carrier if the shipper presents a better revenue prospect. For example, the discount offered is usually flexible, increasing or decreasing according to potential freight volume. The number and type of discounts and prerequisites can change for the same reason. The “standard” contract is often presented to just about any shipper, at least initially. Actual practices, contract contents, discounts, and prerequisites all vary from carrier to carrier and shipper to shipper.

FULLY NEGOTIATED CONTRACTS AND AGREEMENTS

Custom or fully negotiated contracts are usually only available to shippers with more significant freight volumes and/or shippers whose freight, from the carrier’s perspective, has other positive characteristics. Virtually anything is negotiable in this type of contract. The shipper’s degree of success in obtaining what it wants is totally related to the carrier’s perception of the value of the account. The contract may start from some core document (which is modified and adjusted as needed) but usually they are all different.

Customized, negotiated contracts are most desirable because they offer protection from unilateral rate adjustments, unwanted cargo loss/damage liability limits, guarantee rate stability, eliminate onerous rule applications, customize the UBL, alleviate late-payment penalties, waive or reduce accessorial charges, etc. In short, they protect the shipper from a host of tariff and classification provisions that are viewed by many as outdated, extreme, or simply undesirable. However, if the contract is not properly constructed those protections are not realized.

Generally, brevity and clarity should be the primary goals. Exactly what can be negotiated is determined by several factors, not the least of which is what the shipper and carrier each want. Anything may be the subject of mutual agreement if there is no intent to commit
illegal acts or circumvent applicable law. Here are a few key provisions that need to be addressed in any negotiated contract.

**WAIVING ICCTA PROVISIONS.** The ICCTA allows shippers and carriers to agree, in writing, to waive any or all provisions of the ICCTA itself except those concerned with safety, insurance and licensing/permits. Because of some contradictions and gray areas in the statute, shipper attorneys usually recommend that its provisions be waived in total as the first negotiated point of the contract. By so doing, the parties eliminate any negative impacts that these kinds of obscure gray areas might have on their agreement in the future.

**TARIFFS AND CLASSIFICATIONS.** Pricing is one of the key elements of any negotiated transportation service contract. It is best to include the actual rates in the contract if at all possible. Generally, it is unwise to incorporate a carrier’s rate tariff by reference. Carriers can unilaterally change tariff rates, thereby changing the rates in the contract, without the consent of the shipper.

If a carrier’s tariff contains the rates that are to be part of the contract, a copy of the exact tariff version should be appended to the contract. A specific description of the tariff (number, date of issue, revision and date, page numbers, version, etc.) should be included in the contract. The contract should also specify that only the described and appended version of the tariff may be used to assess rates.

Shipping rules should be handled in the same manner. It is best to specifically include the rules applicable to the shipper’s freight and exclude those with no application. Rules should be modified, where necessary, to conform to the negotiated agreement.

If the rules tariff is to be referenced in the contract, describe it specifically — just as for rate tariffs. A copy of the rules tariff should be appended to the contract and the contract should also list, by item number and exceptions, those rules included or excluded.

The same practice should be followed for classifications. If it cannot be appended to the contract, the specific version, date of issue and effectiveness, and all applicable supplements should be noted in the contract.

**BILLS OF LADING.** The best practice is to append the modified UBL, or customized bill of lading to the contract. The contract should provide if any other bill of lading is used, the negotiated contract terms govern in case of any conflicts.

**MODIFICATIONS AND CONTROLLING DOCUMENT PROVISIONS.** Contracts should always include general provisions that state (1) nothing in the contract may be modified except by mutual consent of the involved parties and (2) in case of conflicts with tariffs, classifications or bills of lading, the contract governs.

**OTHER CONTRACT ELEMENTS.** Other issues that should be handled in negotiated contracts include: procedures for payment of freight charges; waiver of onerous late-payment penalties; a credit period; service levels and areas; any performance standards and applicable penalties or bonuses; indemnifications protecting the shipper from claims...
by the carrier’s employees or representatives; treatment of undercharges and overcharges; proof that the carrier is properly registered and insured; rate applicability (inbound and/or outbound shipments); dispute resolution mechanisms; confidentiality clauses; and instructions as to the availability of the contract to third-parties.

Corporate and/or retainer attorneys should be actively involved in developing transportation contracts. If they are not familiar with the idiosyncrasies of inter- and intrastate commerce law, and its new relationship to federal and state common law, they must become so. Otherwise, the shipper should obtain legal council with the correct expertise. A contract checklist is found in Appendix C.
SECTION 4

FREIGHT SHIPPING RULES

Basic transportation service is defined as the picking up of a shipment, transporting it from origin to destination, and making the delivery. The carrier assures it will use reasonable care and make a reasonable effort to accomplish the basic transportation service as described. This is the true, primary function of motor carriers, i.e., they haul freight from one point to another. This is the basic service included in a line-haul charge — the charge resulting from the rates applicable to the commodity.

Any other service the carrier provides is in addition to or an accessory to the basic line-haul service. The accessorial service menu evolved through the years as a result of service requests. All of the services that consignors and consignees have come to expect are addressed by one or more transportation rules. The rules define and explain the accessorial services. The menu is complex and can be very costly if not used properly. The uninformed user is always at a disadvantage.

Transportation rules are published in classifications and tariffs and are invoked by reference to those publications. Rate tariffs usually incorporate rules tariffs by reference. Sometimes the rules are specifically referenced in an individual rate item as well. Occasionally, some rules are published in the rate tariff itself, particularly if their application is limited to that one tariff.

Transportation rules create some of the biggest headaches in shipper and carrier working relationships. Few shippers want to study a rules tariff — they are boring and tedious. Yet some of the most rancorous disputes that occur in shipper/carerrier relationships center around transportation rule application.

What follows is a brief synopsis of typical rules found in motor carrier tariffs and classifications. Each rule title is following by a series of icons that advise where the rule is most commonly published, if a special declaration or certification is required of the shipper, and provide an informal weighting of the potential cost to the shipper.

- Rule is primarily published in classifications
- Rule is primarily published in tariffs
- Special declaration, certification or documentation is required
- Unit cost or minimum charge is $0 - $20
- Unit cost or minimum charge is $21 - $50
- Unit cost or minimum charge is $51 - $100
- Cost can easily exceed $100 because of high flat or minimum charges, increased rates or penalties, unrecoverable cargo loss or damage, because failure to use the rule can be costly, or for other reasons
- Denotes a rule often involved in disputes or that causes application of exorbitant penalties or additional charges. Every effort should be made to waive application or to negotiate different provisions.
ADVERTISING MATTER, DISPLAYS AND PREMIUMS SHIPPED WITH PRIMARY COMMODITIES

This rule allows a shipper to avoid having its freight rated as a mixed package or shipment when it contains a primary product and advertising matter, display racks or stands, or premiums. It allows advertising materials to be shipped at the same rate applicable to the primary product. That rate is usually lower than the rate applicable to the advertising material or display.

ADVERTISING MATTER, STORE DISPLAY RACKS OR STANDS, OR SHOW/DISPLAY CASES

This rule generally requires the advertising matter, display rack or stand or show/display case (1) must advertise or display the commodity in the shipment; (2) must be packed in the same packages as the commodity; (3) may not exceed a specific percentage of the total shipment weight; and (4) may not exceed a specific percentage of the total package bulk.

PREMIUMS

This rule generally requires that premiums (1) be in the same package as the commodity; and (2) the density or weight of the premiums and articles with which they are given or sold, or the density of the commodities in a premium container, may not be less than a specific amount. There may be other limitations such as a limit on the number of premiums that may be included or a limit on the premium’s value. The shipper is usually required to declare the shipment contains premiums.

ARRIVAL NOTICE AND NOTICE OF UNDELIVERED FREIGHT

Rules tariffs generally contain a rule treating this issue and it reflects the provisions found on the UBL. It specifies what constitutes arrival notice (usually actual tender of delivery) and when telephonic and written notices are provided when delivery cannot be accomplished. It usually contains a section on the handling of undelivered freight. It specifies applicable storage charges, notification requirements, and any additional fees or charges that might apply. Many carriers incorporate the provisions on the UBL that are applicable to these situations.

BASIS FOR RATES AND CHARGES

Most carriers publish a rule that states charges are determined on the gross weight of the shipment, including shipping containers and packaging.

BILLS OF LADING

This rule prescribes the charges applicable for providing services related to the bill of lading document. For example, a carrier usually assesses a charge for providing copies of bills of lading, freight bills or statements of transportation charges and other documents.
Bill of lading rules can also prescribe conditions that must be met to obtain specific services from a carrier. For example, if the shipper requires a copy of the bill of lading be returned as a prerequisite for payment of freight charges, the shipper may be required to make certain notations on the bill of lading.

Generally use of the UBL is mandated and the carrier often certifies its participation in the NMFC in this rule. The rule usually specifies that any departure from the terms and conditions of the UBL will not be recognized unless a written agreement, signed by an authorized officer of the corporation, is in place. Usually the carrier provides that its driver’s signature on an alternative bill of lading does not constitute written agreement to its terms.

See the discussion on Bills of Lading in Section 3 for more information.

**BLIND SHIPMENT RULE ** 

This rule allows a shipper to request that a shipment be made showing a party other than the shipper as the consignor. If the carrier is required to alter bill of lading information, or to relabel cartons and pieces, a blind shipment charge is assessed. Usually it is a flat charge per shipment.

**COLLECTION OF FREIGHT CHARGES AND PENALTIES FOR NON-PAYMENT OR LATE PAYMENT **

This rule generally says that prepaid freight charges are due at time of shipment and collect freight charges are due at time of delivery. It explains the carrier’s terms for extending credit. If credit is extended, the carrier typically allows 30 days for payment of freight charges. Many publish shorter credit periods, sometimes as short as 15 days — the regulatory minimum.

Most carriers provide for loss of discounts, allowances or other incentives if the charges are not paid within a prescribed period (most often 30 days). Most publish additional penalties or service charges to apply if the charges are not paid within a specified period from presentation of the freight bill. The rule can also include provisions for charges to apply in case of returned checks.

Third party billing requirements (the bill is paid by someone other than the consignor or consignee) are addressed, sometimes in the same rule or separately. Usually the third party must be shown on the bill of lading and the consignor must guarantee freight charges should the third party default. Many carriers refuse to accept shipments in which the Section 7 (Non-Recourse) clause is executed if third-party billing is involved. See the discussion in Section 7 for further information on credit rules and late-payment penalties.

**COLLECT ON DELIVERY (COD) SHIPMENTS **

This rule lays out the general terms applicable to all COD shipments. Usually special notations are required on the bill of lading and other shipping papers. The freight usually must be marked in some manner. COD and non-COD freight cannot be mixed on the same bill of lading and COD shipments are not accepted for transportation subject to inspection or trial by the consignee. Partial delivery service is not usually available.
Charges applicable for COD service are published in the rule and vary from carrier to carrier. The form of acceptable payment is also specified. Usually the carrier accepts cash (up to $250.00), cashier’s checks, certified checks, or money orders. The consignee’s personal check is usually not accepted unless the consignor authorizes acceptance. There is usually a maximum amount the carrier will collect for the consignor.

Fees for COD service are usually collected from the consignee, but most carriers allow the consignor to prepay the fees. Usually the carrier remits COD payments collected within 15 days of receipt. The delivering carrier always makes the collection and if joint line service is involved, it may not be the same carrier that picked up the shipment.

Please note that COD service has nothing to do with freight charges. COD service is the collection of monies due and payable for merchandise delivered to a consignee. "Freight Collect" refers to collect freight charges. If a shipment was sent COD Freight Collect, the carrier would collect both the COD monies and the freight charges from the consignee.

**CONSTANT SURVEILLANCE SERVICE**

This rule provides the criteria and fees for continuous, constant surveillance and custody of a shipment in transit. This means the vehicle is attended at all times by a qualified carrier representative. If lengthy enroute stops are required the vehicle is only parked in carrier terminals or in a state or locally approved safe haven.

Usually the shipment must be kept in full view of the carrier representative. The trailer is always kept connected to the power unit (tractor). A signature and tally record is maintained by the carrier. Charges for this service are usually assessed on a mileage basis. They vary according to the distance traveled and from carrier to carrier. If an extra driver is required, additional charges apply.

**CORRECTED BILLS OF LADING**

This rule deals with changing the freight charge payment status on a bill of lading that has already been tendered. Usually the status cannot be changed from prepaid to collect once the shipment has been delivered. Changes usually are not allowed if the shipper has executed Section 7 (Non-Recourse Clause).

**CUBIC CAPACITY RULES**

These rules are imposed on light density freight. Typically they specify that shipments occupying a named number of cubic feet (usually 750) and having a specified density (usually less than 4 or 6 pounds per cubic foot) are subject to increased minimum charges. The rule contains the formula for calculating the minimum charge. Typically, the cubic footage used is multiplied by the stated density to determine a billing weight for the shipment. The rule also includes instructions for calculating the density of the articles or pieces in the shipment.
CUSTOMS OR IN-BOND FREIGHT ⬇️ $ $ $$$

Many carriers publish rules governing handling of shipments moving under U.S. Customs Bond for clearance in the U.S. In-bond shipments are subject to additional charges that are usually a rate per 100 pounds, subject to a minimum and maximum charge. Additional line haul charges are assessed if the shipment must be moved to intermediate point(s) for Customs clearance. Usually in-bond freight may not be mixed with other freight and in-bond shipments are not allowed stops-in-transit and split PUD privileges.

DANGEROUS ARTICLES ⬇️ $$$$ 

This rule typically specifies that all commodities subject to DOT HazMat Transportation Regulations must be tendered according to the provisions therein and according to the motor carriers’ Dangerous Articles Tariff.

DENSITY BUMPING ⬇️ ✔️ $ $$$

Density bumping is done to obtain lower rates. It is only allowed when (1) the commodity’s rates are dependent on density, and (2) the rating item provides multiple ratings at varying density levels. Density bumping must be specified in the rating description or it is not allowed. When allowed, shippers can elect to declare their freight at the next lower rating level provided in the rate item, thus reducing freight charges.

DUAL DRIVER PROTECTIVE SERVICE ⬇️ ✔️ $ $$$

Motor carriers can opt to provide this service. Usually the shipper must request it in advance and make required notations on the bill of lading and shipping documents. Additional charges apply, usually based on mileage traveled, subject to a minimum charge.

DUNNAGE ⬇️ $$

Dunnage is temporary blocking, flooring, lining, racks, standards, strips, stakes, bracing or supports installed to protect shipments. It is not a part of the vehicle and is not the shipping container. Typically the materials are supplied and installed by the shipper. The carrier supplies the materials subject to the shipper paying for them. This rule usually provides labor charges, applicable when the carrier does the installation work.

EQUIPMENT AND PERSONNEL DETENTION ⬇️ ⬇️ $ $$$ ⚗

Tariffs usually contain rules about the detention or delay of equipment and/or drivers, providing charges for exceeding free time allowed for loading and loading. The charges usually start when the carrier places the equipment at the site designated by the shipper. They are assessed, usually in 15 minute increments, if the vehicle cannot be loaded or unloaded through no fault or negligence of the carrier. Different charges apply based on the type of equipment detained and/or if a driver is involved. Obviously, it is more expensive to detain a tractor, trailer and driver as opposed to a trailer placed for loading/unloading.
ESTIMATED FREIGHT CHARGE QUOTATIONS

Most carriers publish a rule concerning the applicability of estimated rate quotes they might provide. Generally, it states that estimates are based on information the shipper provides, and rates and rules effective at the time. Typically the rule provides estimates are non-binding. Actual charges are determined when the shipment is tendered.

EXCLUSIVE USE OF VEHICLES AND/OR TRAILERS

Tariffs usually contain rules providing for exclusive use of vehicles and/or trailers by shippers or consignees. Most shipments are handled with the carrier having absolute control of vehicle selection and transfer processes. The carrier has the right to load other freight with the shipment. Shippers may require exclusive use of a vehicle and many carriers will accommodate them. Requests usually must be made in writing and/or by a notation on the bill of lading. A number of restrictions and additional requirements are often imposed. Additional charges apply and are usually assessed for each vehicle or trailer used. Many carriers provide time definite and/or expedited services when they agree to provide exclusive use of a vehicle. This includes pickup and delivery at the time requested by the consignor or consignee. Usually expedited service must be requested in writing.

EXPORT, COASTWISE OR INTERCOASTAL SHIPMENTS - PLACE OF DELIVERY

Carriers serving port areas usually have this rule in their tariff. Generally it provides, if a shipment arrives at a port and the actual delivery address is not shown on the bill of lading, the carrier notifies the other party shown on the bill of lading. They must provide the actual delivery address, within the port facility, and the carrier makes the delivery. Generally this service is provided without any additional charge.

EXTRA LABOR

Carriers provide extra labor to load or unload freight upon request. The applicable fees are invoiced to the party requesting the service. Charges for this service are usually assessed on a per person, per hour or fraction thereof basis. A minimum charge usually applies.

FEES AND FINES FOR OVERWEIGHT LOADS

Many carriers publish a rule making the shipper responsible for fees or fines levied by national or local governments if a shipment violates weight or safety regulations. These shipments are subject to an additional handling charge as well. The rule usually only applies if the violation is caused by a misrepresentation of the weight by the shipper, or if the shipment contains unauthorized commodities.

FORK LIFT SERVICE

This rule publishes charges for fork lift service. They can be based on time used, or can be a charge per 100 pounds. Generally minimum and maximum charges apply.
HANDLING SERVICE  ⬧ $$$$$

This rule provides charges to apply when freight is delivered to the carrier’s terminal by the consignor and is picked up from the same terminal by the consignee. Usually the charge is based on a rate per hundredweight, subject to a minimum charge.

IMPRactical OPERATIONS  ⬧

Most carriers publish a rule in their tariffs that provides that PUD service is not offered at any site where it is impractical to operate their vehicles. Usually that is determined by road conditions, adequacy of loading or unloading facilities, and actions or activities that might create reasonable concern for the safety of employees or equipment.

INADVERTENT ACCEPTANCE RULES  ⬧ ⬧ $$$$$

These rules apply when class ratings are based on a commodity's density or value, and/or when the shippers must make some kind of declaration to qualify for a specific class rating. Usually the rule is referenced in the rate or rating item.

The shipper must make the required declarations on the bill of lading at time of shipment. If they are absent, and the carrier inadvertently accepts the shipment, the highest rate provided in the description is assessed. If the shipper is entitled to a lower rate, overcharges are refunded upon submission of a claim with satisfactory proof.

When the certification involves the value of the commodity the lowest value provided in the rating item applies. Usually it is not possible to revise value declarations after the fact if the shipment has been lost or damaged. See Section 8 for examples of certifications.

LIABILITY LIMITS  ⬧ ⬧ $$$$$

These tariff rules specify maximum liability limits that apply to any freight accepted by the carrier. One of the most common liability limits published by carriers is a combination of a value per pound figure and an overall maximum. A $25.00 +/- per pound or package limitation is most common among LTL carriers, usually coupled with a $100,000 +/- maximum liability. Many carriers are reducing liability limits. Some are as low as $5.00 per pound. One tariff provision provided that shipments of a named commodity were subject to a liability limit of 10 cents per pound.

Fees for valuations higher than the carrier’s automatic limits are steadily increasing. Right now the major LTL carriers are publishing charges of about 50 cents +/- for each $100.00 of excess valuation, subject to a minimum of $25.00 +/- . Some carriers have opted to assess valuation charges that are nothing more than gouging. There have been rules that provide any shipper declaring a value more than a named value per pound must pay 200% of the applicable line haul charge and forfeit all discount.
Typically the liability limitations found in tariffs also include an inadvertent acceptance clause. It provides that in the event the shipment is accepted without an excess value declaration, the shipment is considered released to the lowest liability limit published in the rule or rating item. In some cases, the maximum liability limit published by the carrier is invoked.

While the larger carriers seem more stable in maintaining liability limits and excess valuation charge provisions, others are not. It should also be noted that most carriers’ liability is limited to $2.00 per pound in the case of cross-border shipments originating in Canada.

Carriers also adopt or publish liability limits in other forms. Generally, most are party to any released value provisions published in the NMFC, or may establish their own released rate provisions for a specific commodity. The limits contained in these items vary according to the commodity and from carrier to carrier.

Many carriers publish a liability rule applicable to released rate freight that is transported subject to FAK rates. This rule typically specifies that released rate commodities are limited to the lowest recovery value available from the carrier in case of cargo loss, damage or shortage.

In addition to dollars and cents limits, rules tariffs can contain other types of liability limitations. For example, a carrier may publish a rule that provides when a shrink-wrapped or otherwise unitized skid, or pallet is delivered with the unitizing material intact, the carrier is not liable for loss or damage discovered within the wrapped unit.

Some carriers publish rules concerning notations that must appear on bills of lading when a shipment is transported subject to FAK rates. One provision noted, requires the shipper to identify the specific commodities in the FAK shipment. If they fail to do so, the carrier claims it is not liable for any damage should the shipment be loaded with incompatible freight.

Some of these liability limitations may not be enforceable in the courts. However, they are the rules by which a carrier accepts freight and to which the shipper is subject unless it has a written agreement to the contrary. See the discussion in Section 5 for further information on liability limits.

**LIFT GATE SERVICE**

Carrier tariffs usually contain a rule about provision of lift gate service. The service may be performed for a flat fee or charges may be assessed as a rate per 100 pounds, subject to minimum and maximum charges. The charges are billed to the party requesting the service. Usually the rule specifies the carrier is not obligated to provide this type of service and that it will only do so at locations that are safe and accessible to the vehicle.

**LOADING BY CONSIGNOR AND UNLOADING BY CONSIGNEE**

The rule typically provides that a “shipper load/consignee unload” notation must appear on the bill of lading at time of shipment. Loading and unloading, including package and shipping unit count, must be done by the shipper and consignee. This means the shipper loads it into the carrier’s vehicle and applies appropriate dunnage and blocking. The shipment is unloaded and dunnage...
materials are removed by the consignee at destination. If the shipment uses stopoff privileges, loading and unloading remains the responsibility of the shipping and receiving parties.

**MARKING AND TAGGING FREIGHT**

This rule typically specifies that all freight must be marked or tagged according to these provisions or service can be refused. The only exceptions are HazMat packaging which must be marked to conform to DOT requirements.

Generally, the rule requires that the packages be marked with the name/address of consignor and consignee and that COD packages be so marked. If the shipment is for export, the name/address of the shipper and port of export or of the broker/agent must be shown. Special handling instructions, “fragile” and other care instructions may be required to be shown in a specific location and/or format.

Typically freight must bear legible markings made by a waterproof medium. Minimum letter sizes are often prescribed. The rule usually specifies acceptable types of labels and tags and fastening devices. Preferred marking and tagging locations, for various packaging, may be specified.

Most carriers adopt the marking and tagging rule published in the NMFC because it is detailed and specific. They use their tariffs to publish exceptions or additional requirements. The carrier may also offer the service of revising or changing markings and tags at the shipper’s request. Usually a charge applies, most likely per package or piece changed, subject to a minimum.

**MILEAGE GUIDES**

Carriers usually identify the mileage guide they use in a general rule and/or in each rating item in which mileage is the charge basis. Most still opt to use the Household Goods Carrier Mileage Guide but other commercial guides are gaining acceptance.

**MINIMUM CHARGES**

Numerous situations are found in rules tariffs in which minimum charges are assessed for the given service. They also publish minimums applicable to line haul rates.

**ABSOLUTE MINIMUM CHARGE**

Most motor carriers publish what is known as an absolute minimum charge. This is the lowest charge, assessed any shipment accepted for hauling, after incentives, discounts and other rate lowering considerations have been applied. Usually the charge is in excess of $50.00 for single line shipments and is higher if joint line service is involved.

**SPECIFIC TRAFFIC MINIMUM CHARGES**

Many motor carriers publish minimum charges that apply to specific commodities or types of freight. For example, some publish minimum charges applicable to motor vehicles, household goods and personal effects. These provisions vary from carrier to carrier.
HAZMAT MINIMUM CHARGES

Most motor carriers that transport explosive HazMat shipments assess a special, higher minimum charge to them. One methodology for setting the minimum charge uses a combination of minimum weight and the less-than-500 pound (highest) rate category.

CAPACITY LOAD MINIMUM CHARGES

Many carriers publish minimum charges to apply to capacity load shipments. A capacity load shipment is one that occupies the full visible capacity of a vehicle. Usually a discount applies when this happens. However, the discount in this provision usually alternates with other discounts and incentives that might apply. Separate capacity load minimum charges can be published for different equipment configurations and often for different geographic areas, cities and service areas.

MIXED PACKAGES

A mixed package, carton, pallet, skid, etc. is a shipping unit containing several commodities subject to different rates or ratings. Freight charges for the mixed unit are usually assessed at the rate applicable to the highest (most expensive) classed article in the package. Shippers need to be particularly aware of this rule as it can be quite costly. FAK rates are a practical alternative.

MIXED SHIPMENTS

This rule provides for the handling of mixed shipments (as opposed to mixed packages), but generally follows the same principle as that applied to mixed packages. Freight charges are assessed based on a combination of (a) the highest rate applicable to any article in the shipment, and (b) the highest minimum weight applicable to any article in the shipment.

Mixed shipment rating rules can be complex. For example, some rules provide that the rate for any article in a mixed shipment is the rate applicable if the article were tendered alone and weighed the same as the entire mixed shipment. FAK rates are a practical alternative just as with mixed packages and shipping units. The rating process is more easily understood and applied. See Section 8 for additional information on rating mixed shipments.

NOTIFICATION PRIOR TO DELIVERY

Most carriers provide this type of notification service upon request of the consignor or consignee. Notification can be telephonic or written and an additional charge applies for the service. Usually the additional charge is a flat fee.

ORDER NOTIFY SHIPMENTS

This rule specifies the charge that applies to Order Notify Shipments, usually a flat charge per shipment. Typically they are only accepted subject to payment of this additional charge.
OVER-DIMENSION FREIGHT

This rule is contained in most carrier tariffs. It applies when a shipment exceeds specified dimensions and/or weights. Usually additional charges apply if the shipment is more than 45 feet long, 9 feet high or 8 feet wide. The article need only exceed one of those dimensions for the upcharges to be assessed. Some carriers increase normally applicable charges by a percentage or scale of percentages.

This rule can also provide charges for using escort cars, flagmen, and any special permits that may be required. The shipper is responsible for the costs of permits, tolls, or other fees to which the shipment is subject.

It should be noted that many carriers do not handle over-dimension freight. They do not have the equipment or working arrangements with other carriers who do. Some of this freight is highly specialized. Shippers with over-dimension freight need to contact carriers in advance to learn what is available and associated costs.

OVERFLOW CHARGES

Most motor carriers publish this rule that governs how excess or overflow TL freight is rated. Typically, when the vehicle assigned to the shipment is filled to capacity, and there is excess freight, the excess is loaded in another vehicle or trailer. Typically the excess is subject to a prescribed minimum charge or is billed as a separate shipment if the minimum is not met.

PACKAGING SPECIFICATIONS

These rules contain general specifications for all types of packaging. If packagings do not conform to the specification, freight can be refused, or, if inadvertently accepted, claims for loss/damage can be declined. Usually the rating descriptions found in the classification provide for the commodities to be packaged in a specific manner. For example, the description may state "in boxes" or "in barrels," etc., as the case may be. In these instances, packaging must comply with applicable general packaging specifications.

Many classification descriptions reference a package by number, for example "...in boxes or in Package XXX." In these instances the shipper may use a container meeting the general specifications or may use packaging meeting the specifications described under Package No. XXX. Detailed descriptions of numbered packagings are generally published in the classification used by the carrier.

PALLETIZED FREIGHT

Provisions that affect palletized freight may be found in several rules published in classifications or tariffs.

HEAVY FREIGHT

Usually a carrier publishes or is party to a rule concerning the handling of heavy freight. Typically it provides that heavy freight in a single container, or freight that is on pallets,
platforms or skids that exceeds a specific weight or dimension, must be loaded/unloaded by the consignee or consignor. Additional charges are usually assessed for hauling and handling heavy freight.

MARKING/TAGGING PALLETED FREIGHT

This provision usually specifies that freight on pallets, platforms or skids need not have each package or piece separately marked and addressed, provided each pallet or skid is marked and the number of packages/pieces loaded on the it is shown on the bill of lading.

PALLETED MIXED SHIPMENTS

This rule specifies how to rate mixed shipments of LTL rated articles that are on pallets, platforms, racks or skids. Typically freight charges are assessed at the rate applicable to the actual weight of each separately classed article provided certain conditions are met. Usually the shipper is required to specify the separately rated articles, number of packages of each and total weight of each on the bill of lading and other shipping documents. Often a specifically worded notation is required.

Usually a packing slip is required for each pallet, platform, rack or skid and it must show specific information. Finally, a declaration of the weight of the pallets, platforms, racks or skids, unitizing materials or packagings devices may be required to be shown on the bill of lading and/or other shipping documents. See Section 8 for further information on rating mixed shipments.

SHRINK-WRAPPED OR UNITIZED PALLETS FREIGHT

Some carriers publish rules dealing with unitized freight that limits their liability. If the unitized shipment is delivered intact (the shrink wrap is not torn, or otherwise damaged) the carrier is not liable for damage to products on the pallet. See Section 5 for a discussion on liability limits. See also the discussion on liability limit rules in this section.

RETURN OF PALLETS OR CONTAINERS

Some carriers publish rules concerning return of shipper-owned freight containers, pallets, platforms, racks, reels or skids. The rules can provide that the carrier is not obligated to return the empties free of charge to the shipper, even if requested to do so on the bill of lading. Any shipper wanting shipping containers returned must make arrangements with the carrier. Charges usually apply.

PAYMENT OR GUARANTEE OF CHARGES

This rule lays out the typical terms under which a shipment is accepted for transportation. It defines prepaid vs. collect shipments, acceptance of shipments for which third-parties are responsible for freight charges, and when a shipment must be prepaid. Additional provisions, relating to payment and guarantee of freight charges, may be included in this rule or may be found in other rules. Some examples include:
• No shipment will be accepted for transportation when the line haul charges are designated as partially prepaid and partially freight collect;

• Freight charges for export shipments must be prepaid;

• Freight charges must be prepaid on shipments destined to listed consignees such as amusement parks, trade shows, fairs and exhibits;

• Freight charges must be prepaid or guaranteed for shipments to federal, state, county or local government agencies and schools.

**PICKUP AND DELIVERY (PUD) CHARGES**

Normal service includes PUD of the freight from and to locations immediately adjacent to the dock or delivery door (loading/unloading area). Typically the service includes the labor of one employee (driver, helper or other employee) per vehicle. Loading and unloading service usually includes the use of a two-wheel handtruck, but does not include use of any mechanical equipment even if provided by the consignor or consignee. The service usually does not include opening unitized shipments.

Carriers do provide PUD service from/to non-adjacent locations but additional charges apply. They may be a flat charge, a charge based on shipment weight, or some other basis. Usually a minimum charge applies and sometimes a maximum is specified. Generally, charges are collected from the party requesting the service.

Different PUD charges apply in certain geographic areas, for residential addresses, and for service on holidays and weekends. Densely populated and high traffic congestion areas often incur higher PUD charges because they tie up equipment and drivers for a longer period. Harbors and ports are also often subject to higher charges because of access delays.

There are also restrictions related to loading and unloading heavy or bulky freight. Typically if the freight weighs less than 110 pounds the carrier does the loading and unloading. If it weighs 110 to 500 pounds and, does not exceed specified dimensions, it will be loaded/unloaded by the carrier if a dock, platform or ramp is immediately accessible. If not the carrier only assists with loading/unloading. If the freight exceeds 500 pounds or exceeds specified dimensions, the consignor and consignee does loading and unloading. The carrier only assists.

**PROHIBITED OR RESTRICTED ARTICLES RULES**

Most carriers publish rules that itemize the types of freight they will not accept for hauling. The commodities typically include high-value items such as currency, coins, stamps, stocks, bonds and checks; jewelry; deeds; letters; museum exhibits or antiques; original works of art; stamps; precious stones; revenue stamps; valuable papers of any kind and freight liable to damage other freight or equipment.
PROOF OF DELIVERY  
This rule specifies the charge that applies if the payer of freight charges requires proof of delivery to be furnished as a prerequisite for payment of freight charges.

RATES AND RATE APPLICATION RULES

APPLIED-FOR RATE INCENTIVES  
This rule specifies when and how these incentives are paid. Usually the freight charges must be paid within a prescribed time and a claim letter must be filed within a specified time or the incentive is not payable.

FUEL SURCHARGES  
Most carriers publish rules providing for application of a sliding scale of fuel cost recovery surcharges. Typically they are based on the average cost of a gallon of diesel fuel. They can specify an applicable percentage surcharge for varying fuel cost levels or the carrier may use an entirely different recovery mechanism.

CLASS RATE APPLICATION  
This rule usually provides that, without a pricing agreement or contract, a general application rate tariff applies. The tariff may be independently published by the carrier or may be published for it by a bureau or agent.

LTL FREIGHT TENDERED AS A TL SHIPMENT  
This rule describes how to rate an LTL shipment tendered to the carrier as a TL shipment. Typically the applicable TL rates apply at either the actual shipment weight or the specified minimum weight. See the discussion in Section 8 for information on Weight Bumping.

RECONSIGNMENT OR DIVERSION RULES  
This rule contains terms for reconsigning or diverting a shipment after it has been tendered to the carrier or while it is enroute. Diversion/reconsignment is usually defined to include consignee or consignor name changes; changing the place of delivery; and changing the destination point. Usually requests must be made in writing (or confirmed in writing) and all applicable charges must either be paid or guaranteed. Generally carriers will not reconsign or divert portions of shipments. Not all shipments can be reconsigned and the rule specifies those that may not.

REDE DELIVERY SERVICES  
Many carriers publish redelivery service rules applicable to commercial and private residential addresses. Usually if the delivery cannot be accomplished on the first try, the carrier will not try again without a specific request and/or instructions. Each additional delivery attempt results in additional charges being assessed to the shipment. It can be a flat charge or more typically it is a charge per 100 pounds, subject to a minimum and/or maximum charge. Additional charges can
apply if the consignee elects to take redelivery at the carrier’s place of business. The party requesting redelivery is responsible for the charges and redelivery generally is not made until the charges are either paid or guaranteed.

RETURN OF UNDELIVERED FREIGHT  

Most carriers publish rules for handling the return of any undeliverable freight. Usually the shipment is treated like a separate shipment and is subject to all usual applicable charges.

SEALS AND LOCKS APPLIED TO VEHICLE  

This rule pertains to the shipper practice of sealing and locking trailers. Typically the rule provides the carrier can remove the seal or lock, at its option, for any purpose. Usually an exception is made when the shipment is moving under exclusive vehicle use provisions.

SINGLE SHIPMENT CHARGES  

Most carriers publish single shipment charges. They apply to shipments weighing less than a specified amount (often 500 pounds), picked up or delivered unaccompanied by any other freight.

SORTING AND SEGREGATION CHARGES  

This rule specifies the charges to apply when a carrier is required to sort or segregate a shipment. Usually the charge is assessed as a rate per 100 pounds, subject to a minimum charge. Other methodologies may be used to assess the charges.

STOPOFFS  

This rule provides the criteria for stopoffs for partial loading or unloading. Typically the shipment must meet a minimum weight requirement (often 20,000 pounds or more). Usually the carrier allows stopping at intermediate points along the route. The service is not usually extended to COD, in-bond, to order, order notify, and containerized freight. Stopoff charges are assessed in addition to any applicable line haul charges and typically are a flat charge per stop up to a specific number. Additional stopoffs are usually allowed, but may be assessed higher charges.

Freight charges must be prepaid or guaranteed if the shipment uses stopoff privileges. Additional marking and tagging requirements may apply. Any freight that cannot be delivered at a stopoff is subject to rules applicable to undelivered freight.

STORAGE CHARGES  

Most carriers publish storage charges that apply in the event they are required to hold a shipment. Reasons for holding the shipment vary from consignee refusal to accept delivery, to custom clearance delays, to other delays for which the carrier is not liable. The storage charges can be based on shipment weight or time in storage or a combination of the two. Minimum and maximum daily and per shipment charges may apply. Charges vary according to geographic location and by carrier.
TRANSFER OF LADING

This rule applies when a shipment, usually weighing a specified minimum weight, cannot be picked up or delivered by the vehicle that would transport it. Additional charges are collected from the consignor at origin. If the problem occurs at delivery, the consignee is charged, unless the consignor guarantees prepayment. Charges apply each time the freight is transferred to another vehicle. Typically the fee for this service is a charge per 100 pounds of freight, subject to a minimum charge.

TRANSPORTATION OF HAZMATS

This rule names the types of HazMat shipments the carrier accepts, under which conditions, and defines the services the carrier provides. For example, if designated route plans are required usually the carrier prepares them. Additional charges may apply if any required routing exceeds the normal, shortest point-to-point mileage.

The carrier also usually obtains any required special permits. Charges are assessed for this service, usually on a per permit basis. The rule often provides that if the shipper limits or denies the carrier access to the loaded vehicle, special charges apply. Additionally most carriers transporting HazMats assess a handling charge for each shipment.

VEHICLES FURNISHED BUT NOT USED

This rule most often applies to larger shipments and is invoked when the carrier dispatches a vehicle and it is not used through no fault of the carrier. Either a flat charge or a mileage based charge (subject to a minimum) is assessed. An additional charge may be assessed if the unused vehicle is detained beyond a specified period.

WEIGHING AND INSPECTION CHARGES

Most carriers publish a rule that specifies if they are required to weigh or inspect freight, or if they elect to reweigh or inspect, a charge applies. Usually the charge is only assessed if an erroneous weight or description results in increased freight charges. It can also be applied if the carrier must make any change in the shipment weight, the billing description or class rating.

WEIGHT VERIFICATION CHARGES

This rule applies when the carrier is requested to secure certified public scale weights for any shipment. A flat charge is usually assessed for each re-weighing in addition to any fee the carrier must pay for use of the certified public scale. The charge is paid by the party requesting the service.

Besides all of the foregoing rules, carriers may at their option, publish more specialized rules in their tariffs. For example, they may publish rules about the PUD of freight at construction sites, delivery of freight at unattended sites, and for obtaining special equipment for a one-time service requested by a shipper.
They may publish special versions of “usual” rules to apply to specific locations, cities, ports, or in other situations where they feel different treatment is warranted. Carriers also publish rules that have applicability to specific commodities.

While the itemization of tariff rules provided here is comprehensive, it does not include all possible rules. It is the shipper's responsibility to review a copy of rules tariffs for any carrier with which they intend to do business. The preceding listing of rules, almost all of which result in additional freight charges, should be an adequate demonstration of why that is so important. Additional service and accessorial charges significantly increase freight costs and can destroy a shipper’s budget.
SECTION 5

LIABILITY, LIABILITY LIMITS AND CARGO LOSS AND DAMAGE

Cargo loss and damage is a transportation problem that does not occur frequently but can be costly when it does. Recently there has been considerable controversy over the impact that legislative changes have had on motor carriers’ obligations concerning cargo loss and damage. It concerns their ability to limit liability without the consent of shipper customers.

CARMACK AMENDMENTS TO THE ICA

Motor carriers are held 100% liable for loss or damage to cargo in their control and care under a statutory provision known as the Carmack amendments. These amendments were made to the ICA in 1906. Under Carmack, liability can not be limited by the carrier, in any manner, without the written consent of the shipper. The carrier must offer the shipper lower rates if the shipper agrees to assume part of the liability if cargo is lost or damaged. Usually liability limits were achieved by using released rates.

There is a very detailed and complete body of regulatory and statutory case law concerning Carmack liability and liability limits. All of it applies a rigid interpretation of Carmack, but all of it occurred before enactment of the ICCTA.

LIABILITY UNDER THE ICCTA

Motor carriers contend the ICCTA allows them to unilaterally limit liability. They believe they can limit their liability by publishing a tariff rule stating the limitation. They point out that the ICCTA made it the shipper’s responsibility to obtain tariffs from carriers. Shippers argue the ICCTA did not repeal Carmack and unilateral liability limitations are still prohibited. The only exception: carriers and shippers can negotiate mutually agreeable liability limits.

CARRIER ACTIONS REGARDING LIABILITY LIMITS

Carriers are routinely limiting their liability via rules and notices in their tariffs and shippers are responsible for determining what, if any, liability limitations a carrier may have published. Carriers are also publishing fees for providing cargo liability valuations higher than their automatic limits. Some fees are reasonable and others are so unreasonable that it is not likely they would be enforceable in a court of law.

Larger, more established carriers seem more stable in maintaining consistent liability limits and excess valuation charge provisions. Others are not. It should also be noted, shipments originating in Canada are subject to a $2.00 per pound liability limit. Please see the discussion in Section 4 under liability limits rules for further information on the types of tariff provisions that are being published.
REGULATORY AGENCY AND COURT ACTIONS ON LIABILITY LIMITS

To date, there has been no formal regulatory actions concerning liability and liability limitations under the ICCTA. A few cases have been heard in lower federal courts and they have produced mixed results. Courts have split on the issue, so no clear-cut resolution is available. The STB has not visited it officially, but did comment in an unrelated proceeding. Their comments suggest it places credence in the carriers’ interpretation of the ICCTA’s impact.

The DOT recently completed and released its Liability Study report. It too seemed to accept the motor carriers’ interpretation of the ICCTA. However, it came out in favor of retaining full Carmack-type liability and recommended current statutes be amended to clarify the matter. DOT proposes a return to the pre-ICCTA regime. That is, liability limitations could only be accomplished by written declaration of the shipper or by mutual, contractual agreement between the shipper and carrier. The U.S. Congress is scheduled to revisit the issue, possibly in 1999. Until this dispute is legislatively or judicially resolved, shippers must exercise diligence and care.

- If possible, liability limits should be addressed in negotiated contracts and agreements
- Alternatively, shippers must not fail to request copies of all applicable tariffs from any carriers they use
- Requests for tariffs should be in writing and an ongoing program should exist to assure any changes to limits are documented
- Carrier failure to respond to requests for information on liability limits and copies of applicable tariffs and tariff items should be documented in the event regulatory or judicial proceedings result
- Shippers should avoid using carriers who defy the law by not supplying requested applicable tariffs

Failure to follow solid business and legal practices only serves to jeopardize a case in the event a dispute ends in court. No matter which side prevails in this dispute, justice is not so blind that it will excuse a carrier’s failure to comply with the statutory requirement to supply the tariff information needed to make an informed choice. Neither will it easily forgive a shipper’s failure to seek that information.

Cargo loss and damage, and liability for same, should not be blown out of proportion either. “Routine” cargo loss and damage is usually controllable. Catastrophic loss is not usual but does happen. While cargo loss and damage is a factor in a relationship between a shipper and carrier, it is rarely the sole determining and controlling factor. If it should rise to that level then there are other, more serious problems that need to be addressed.

The table on page 39 provides a summary of Free or Freight-on-Board (FOB) terms. These terms determine when title to freight passes from seller (shipper or consignor) to buyer (receiver or
Thus, they determine ownership of the goods in transit and define who files loss and damage claims. FOB terms are further modified by terms such as "Freight Prepaid" or "Freight Collect" specifying who pays freight charges. Terms denoting who pays freight charges can be further modified to specify who bears freight charges as opposed to who pays them.

FOB and freight charge payment terms are usually set by the seller and buyer. They are often incorporated in agreements controlling the sale and purchase of the merchandise. There is an extensive body of legal and regulatory decisions that have evolved concerning FOB and freight charge payment terms. Case law impacts if a complicated dispute arises as to loss or damage or freight overcharge/undercharge claims. The information provided in the table gives the reader the concepts generally recognized by shippers, receivers, and carriers.

CARGO OR LOSS, DAMAGE OR SHORTAGE CLAIMS

Successful resolution of a loss or damage claim depends on several factors. Key elements are documentation, timely filing, requesting inspections, and the type of in-house procedures established to aid in the recovery. The following practices, while they do not guarantee successful resolution of a loss or damage claim, will aid in attaining that goal. When receiving freight —

- CHECK CARTON LABELS. Misdeliveries do occur.
- CHECK FOR SHORTAGES. Carton count should match that on the bill of lading. Make full notation of any discrepancies on both yours and the carrier's copy of the freight bill/delivery receipt before signing. Have driver initial the notation on all copies.
- CHECK FOR VISIBLE SIGNS OF DAMAGE. Check for crushed, torn, dented, punctured, unsealed, or water damaged cartons. Examine contents of damaged cartons with the driver. Place description of results of examination on yours and the carrier's copy of the delivery receipt. Have the driver sign the exception.
- REQUEST AN INSPECTION. If the carrier waives inspection, obtain confirmation of the waiver in writing.
- FILE CLAIMS PROMPTLY. File in writing. Telephone notice and letters of intent do not meet regulatory and statutory requirements. If the consignee is not responsible for filing the claim it must notify the one who is.

When the loss, damage or shortage is concealed (not seen or noted at time of delivery, but is discovered after the fact) a different set of problems arises. The burden of proof switches from the carrier to the shipper in these instances. Normally it is assumed the carrier was responsible for the damage. The carrier bears the burden of proof and must demonstrate it did not cause the loss or damage. When the loss or damage is concealed, the burden switches to the claimant. The
### FREIGHT (FREE)-ON-BOARD TERMS

<table>
<thead>
<tr>
<th>FOB TERMS</th>
<th>PAYS FREIGHT CHARGES</th>
<th>BEARS FREIGHT CHARGES</th>
<th>OWNS GOODS IN TRANSIT</th>
<th>FILES CLAIMS</th>
<th>TITLE PASSES (S TO B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOB ORIGIN FREIGHT COLLECT</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>O</td>
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<td>FOB ORIGIN FREIGHT PREPAID</td>
<td>S</td>
<td>S</td>
<td>B</td>
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<td>O</td>
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<tr>
<td>FOB ORIGIN, FREIGHT PREPAID &amp; CHARGED BACK</td>
<td>S</td>
<td>B</td>
<td>B</td>
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<td>O</td>
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<td>S</td>
<td>S</td>
<td>S</td>
<td>D</td>
</tr>
<tr>
<td>FOB DESTINATION FREIGHT COLLECT AND ALLOWED</td>
<td>B</td>
<td>S</td>
<td>S</td>
<td>S</td>
<td>D</td>
</tr>
</tbody>
</table>

**B** = BUYER  **S** = SELLER  **D** = AT DESTINATION  **O** = AT ORIGIN

The consignor or consignee must prove the carrier caused the damage and that others who handled the goods did not.

In cases of concealed loss/damage the carrier considers several factors such as: nature of the goods, adequacy of packaging, movement before and after pickup and delivery, when damage was reported, retention and condition of original cartons, etc. Declination of concealed loss or damage claims based on carrier possession of a clear delivery receipt does not have to be accepted. Evidence may be presented indicating actual condition of the goods to support the claimant’s position that the damage was carrier-caused.

If, after delivery and during unpacking of cartons, loss, damage or shortage to merchandise is discovered the following procedures aid in successful resolution of the claim.

- **LEAVE THE DAMAGED MERCHANDISE IN THE CARTON** if possible. Retain all wrappings, inner packaging materials and the original carton in which the merchandise was shipped. Photograph the damage.

- **DO NOT MOVE CARTON OR CONTAINER** if possible. If movement is necessary, keep it to a minimum.
REQUEST INSPECTION IMMEDIATELY. If the carrier opts to waive inspection, obtain confirmation of the waiver in writing.

FILE THE CLAIM PROMPTLY. File in writing following usual claim filing procedures.

PERSPECTIVE ON THE LIABILITY LIMIT DEBATE

Motor carriers and shippers both seek fairness and equitable treatment in the liability limit dispute. So the primary question has to be “Is limited liability fair?” In our view it is more than fair to carriers but not to shippers.

When the problem is lost cargo — the shipment is truly lost, misdelivered, misplaced, forgotten or otherwise disappears in the carrier’s handling chain — it is difficult to see how the shipper can be culpable. If the shipment was properly documented, marked and labeled there is little more the shipper can do. Only the carrier can lose it. It seems patently unfair to ask the shipper to assume the risk in this circumstance.

When cargo damage is the problem, there can be shipper culpability. Sometimes packaging fails or employees fail to place warning and handling markings on packaging, or use incorrect packaging, or do a bad job of unitizing a pallet. On the other hand, the carrier can pierce the cargo with a forklift, rip open pallet unitizing, drop the freight or load it improperly to name just a few carrier causes of cargo damage.

The pros and cons of the liability debate always come back to one indisputable fact: The shipper has absolutely no control over the cargo once it leaves its docks and is in the carrier’s custody. This makes a solid case for carriers assuming full liability. Shippers cannot force a carrier to exercise due care, follow instructions, train its warehouse employees, etc. There are several other arguments that can be made for the carrier assuming full liability as well.

Shippers pay freight rates that are developed using many factors, one of which is the LTL cargo’s value and claims experience. Value is reviewed as part of the freight classification process that results in the ratings upon which LTL rates are based. Freight classification is an averaging process and so is cargo loss and damage.

All of the shipments that are safely transported from origin to destination contribute to underwriting claims for loss and damage when they do occur. The likelihood of a carrier regularly incurring large individual losses is remote unless it is totally incompetent. As a result, carriers are routinely collecting a modest sum, for loss and damage that never occurs, as a part of every LTL freight rate. If cargo liability is to be limited, then value and claims experience must be removed from freight classification deliberations.

Additionally, carriers are extremely sophisticated in assessing an individual shipper’s contribution to their bottom line. Among the assessments routinely made is claims ratio — the proportion of loss and damage claims paid to revenues generated. Carriers can specifically address shipper practices and products that create disproportionate claims ratios.
They can pinpoint the treatment to the problem by limiting liability for those shippers or products, increasing their rates, or taking other steps.

These factors strongly support the carrier assuming full liability for cargo in its care, control and keeping.
SECTION 6

OVERCHARGE AND UNDERCHARGE CLAIMS

Successfully recovering overcharges (and undercharges) depends on several factors such as the timeliness with which the claim is filed and documentation supporting the claim.

DEFINITION OF OVERCHARGE AND UNDERCHARGE

An overcharge occurs when the carrier bills the shipper an amount that exceeds the appropriate charges for the provided services. An undercharge is the exact opposite of an overcharge, i.e., the carrier bills the shipper an amount that is less than the appropriate charges for the services rendered.

Charges for services consist of a line-haul charge and any applicable accessorial charges. Applicable charges are found in the transportation contract (if there is one) or are determined from the carrier’s tariffs and classifications. Billings resulting in over- or undercharges are more numerous than most providers and users of motor carrier services believe. Errors can result from many causes such as simple mathematical mistakes, failure to apply negotiated rates or discounts and shipper failure to supply appropriate billing descriptions.

The sheer volume of motor carrier freight bills, generated and paid each day, produces its own share of errors. It is not at all unusual for shippers to receive another customer’s freight bills or to be billed multiple times for the same shipment, sometimes at differing rate levels. While transportation contracts, some of which simplify pricing, help reduce the number of errors, they do not come anywhere near eliminating them. Most shippers employ some kind of an auditing system for freight bills to recover any overcharges. Conversely, carriers employ an auditing system to recover any undercharges.

STATUTES OF LIMITATION

All overcharge and undercharge claims are subject to a pre-condition time limit on making the initial filing. It is 180 days (six months) for interstate shipments. If the claim is not filed within that period it is uncollectible. Claims meeting the 180-day precondition can be pursued in the courts if they are not settled to the claimant’s satisfaction. Federal bankruptcy laws extend the court filing statute by two years. They do not extend the 180-day pre-condition filing time limit. The statute of limitations for making the initial filing, and for filing a court suit, varies from state to state for intrastate shipments.

DUPLICATE PAYMENT OF FREIGHT BILLS

Audits that identify overcharges and undercharges also often identify duplicate payments of freight charges. Duplicate payments occur for a variety of reasons, but whatever the reason, duplicate payment recoveries are NOT subject to overcharge claim statutory time limits. A duplicate payment is NOT recognized as an overcharge by either the courts or regulatory agencies. It is a
separate matter for which the only time limits on seeking a refund are those imposed by common law.

**THE 180-DAY STATUTE OF LIMITATION**

The 180-day time limit was first imposed by TIRRA in 1994, and was continued by the ICCTA. Statute language was unclear, leading to several disputed interpretations as to its application. Those interpretations eventually crystallized into a handful of positions with equally ardent defenders and opponents. The escalating disagreements led to a proceeding before the STB. The following key findings were made in the proceeding.

- The 180-day statute applies equally to billing errors (a mistake easily determined from the face of the freight bill) and billing disputes (disagreements related to applicability and reasonableness issues)
- The statute applies to both paid and unpaid freight bills, addressing a technical glitch in the legislation
- The STB interprets the statute as applying to both regulated and unregulated rates, although they have no jurisdiction over unregulated rates and can offer no relief
- The 180-day statute does not affect other statutes applicable to overcharge and undercharge claims; it is a precondition that must be met before court action can be pursued
- The 180-day statute does not interfere with shipper defenses against undercharges filed by bankrupt motor carriers
- Shippers and carriers may mutually agree to waive the 180-day time limit
- Carriers and shippers may voluntarily pay overcharge and undercharge claims that are not timely filed
- Duplicate payments are not subject to the 180-day statute as they are not disputed freight charges
- Bills may be contested by facsimile or mail. The postmark or date faxed decides if the claim was filed on time. If the carrier is notified by mail or fax postmarked or dated on the 180th day, it has been contested on time.
UNDERCHARGE BILLS - SPECIAL UPDATE

While the so-called undercharge claim crises peaked several years ago, the problem is still with us. Shippers continue receiving letters and balance due bills from representatives of the estates of bankrupt carriers and from auditors claiming to act or acting on the behalf of out-of-business motor carriers.

Some of these representatives are creative. They readily misrepresent the facts of a case and rely on threats and intimidation. Here are some examples of claims and tactics that are still being used.

- Claims of having the backing of the ICC or STB in their quest
- Claims to represent a bankrupt carrier (thus extending the statute of limitations by two years) when the carrier voluntarily went out of business (so no extension of the statute is allowed)
- Filing claims barred by the statute of limitations (180-day, court action limit and/or any extended limitation due to bankruptcy)
- Applying very short pay or be sued deadlines that attempt to preclude any scrutiny of the balance-due bill by the recipient
- Claims that the balance-due bills are totally correct and should not be checked or disputed by the recipient
- Claims that the Negotiated Rates Act does not apply to the balance-due bills (it does apply in the case of bankruptcy)
- Filing claims on joint-line shipments (more than two carriers involved) in an attempt to collect on the part of a still in-business carrier that lost its revenue split because of its partner’s bankruptcy
- Deliberately filing claims against more than one party to a transaction, such as filing against both the consignor and consignee, with multiple collections being retained
- Deliberate misrepresentation of the facts surrounding a shipment
- Arbitrarily re-rating shipments to create or enhance undercharge claims
- Arbitrarily changing billing descriptions to create or enhance undercharge claims
- Arbitrarily altering shipment weights and quantities to create or enhance undercharge claims
The foregoing is not an all-inclusive list but provides some insight as to the type of practices being employed by unscrupulous companies and individuals who view the undercharge "crises" as an opportunity for enrichment. All customers of motor carriers who have declared bankruptcy or gone out of business should be alert to the potential for deception and guard against being defrauded. Key points to remember are:

1. **The pre-condition time limit for filing undercharge claims is six months (180-days).** Statutes provide that the claim is uncollectible if it is not filed within that time frame. It is widely held that the pre-condition time limit is not extended by a formal bankruptcy filing. A bankruptcy filing does extend, by two years, the time allotted for filing suit to collect alleged undercharges, assuming the 180-day pre-condition time limit was met. Note, that merely quitting business, even if the corporate structure is ultimately dissolved, is NOT bankruptcy. The only instance where the 180-day pre-condition time limit may be extended is if the shipper and carrier mutually agree to a longer time limit in a written contract or agreement.

2. **Undercharge or overcharge claims should be accompanied by documents supporting that claim.** This is particularly true if the freight bill is altered in any way, or if a recreation of the original freight bill (not an actual copy) is presented. Revision of freight bill data (such as billing descriptions, weights, quantities, etc.) can only be viewed by the recipient as arbitrary unless fully documented and explained. Merely claiming an error occurred does not constitute evidence of one nor does it validate a claim. Further, even if an error did occur, if the claim does not meet the 180-day pre-condition, it is uncollectible.

3. **The ICC went out of business when the ICCTA, enacted in 1995, took effect and tariff-filing ended as well.** Any argument that implies broad tariff filing compliance (and thus a filed rate doctrine) is erroneous. The only motor carrier rates that may be filed are rates for transportation of household goods or rates for traffic moving to/from offshore destinations. All other rates are barred from filing with the ICC or its successor the STB. Carriers must maintain tariffs, but the difference between filing and maintaining is legally significant.

4. **Undercharge claims related to interlined shipments should be carefully reviewed.** Very often regional carriers interline with other motor carriers to serve points they cannot or do not wish to serve directly. The carrier making the claim may or may not have been the billing carrier, and duplicate or repetitive billings are common. Because there is no filed rate doctrine, unpaid revenue splits are not of concern to shippers and receivers. They are part of an agreement between the interlining carriers. There have been many instances where shippers have paid undercharge claims related to interlined shipments only to discover they were not valid.

5. **Claims related to collection of penalties applicable because of late payment of freight bills (such as loss of discounts) are only collectible if the out-of-business carrier conformed to statutory and regulatory credit rules.** Very briefly, to be enforced:

   - The carrier must have chosen between two penalty options;
- The shipper must have been notified of the possibility of penalties as prescribed in the regulations; and

- The shipper must have been re-billed for the corrected amount or for additional sums within a specified period. Some carriers met these criteria and some did not.

Assuming these criteria were met and the penalty is collectible, the STB (continuing its predecessor’s policy) has emphatically declared penalty amounts must be reasonable. Therefore, a loss of discount penalty could be applicable, but not collectable for the full amount of the discount if the resultant penalty is unreasonable. Because the statute and regulations are silent about what is reasonable, a few courts have undertaken to define it. In those cases they have applied formulas used in other “collection” type cases to include specifying attorney compensation.

Please see the discussion on credit rules in Section 7 and Appendices D and E for more information on overcharges and undercharges and late-payment penalties.
SECTION 7

CREDIT RULES AND NON-PAYMENT PENALTIES

CREDIT REGULATIONS

Motor carriers, as previously stated, are subject to very few economic regulations. Credit rules are one of the remaining regulations of consequence. They deal with the extension of credit to customers (shippers), payment of freight bills, and assessment of penalties for late-payment or nonpayment. The penalty portions of these rules are draconian and are widely abused by motor carriers intentionally or otherwise. The credit regulations include the following key provisions. The regulations —

- Do NOT apply to contract carriage or to the carriage of property incidental to passenger operations
- Provide that the credit period begins on the day following presentation of the freight bill
- Prescribe a minimum credit period of 15 days unless a longer period is specified in the carrier’s tariff, but the carrier may not extend credit for a period longer than 30 calendar days
- Allow carriers to impose a service charge to apply for the period they extend credit beyond what they have specified as their standard credit period
- Bar the application of service charges if the bills are paid within the specified credit period
- Allow carriers to establish services charges for late-payments, effective the day following the last day of an authorized credit period
- Allow carriers to grant discounts for early payments when credit is extended
- Authorize the recovery of collection expenses via assessment of reasonable damages for all costs incurred using one, but not both, of two methods:
  (1) Establish a separate additional charge to apply to the unpaid freight bill, with the tariff rule naming the exact charges as a dollar or percentage amount, or
  (2) Require payment of full, non-discounted rates (loss of discount), providing the tariff identifies the discount rates subject to this penalty
- Provide that the collection expense recovery methods are only applicable if the penalty —
(1) Is clearly described in the tariff rule or on the bill of lading

(2) Is applied without unlawful prejudice and/or unjust discrimination between similarly situated shippers and consignees

(3) Is only applied to individual bills (not aggregate claims)

(4) Does not apply in instances of clerical or ministerial error

(5) Does not apply if the bill of lading provides the shipper is liable for fees incurred by the carrier for collection on the same transportation service

(6) Only applies if the carrier issues a revised freight bill or notice of imposition of the penalty within 90 days after expiration of the authorized credit period (notice may be in the bill of lading)

The credit rules also provide instructions for the submission of freight bills for payment. Carriers must present the freight bill within seven days of shipment delivery (not including holidays and weekends). Freight bills must contain or must be accompanied by a notice advising penalties apply for late-payment, stating what they are, credit time limits and service charge and/or collection expense charges and discount terms.

Time of mailing is the time of presentation for mailed bills just as the time of mailing is proof of tender of payment for the shipper. If the carrier has billed and collected for a service and subsequently presents a freight bill for additional charges, the carrier may extend credit for payment of the additional charges.

**ABUSE OF PENALTY PROVISIONS**

The penalty provisions provided in the federal regulations are unique. They allow assessment of penalties that far exceed those assessed in any other commercial environment or in other commercial transactions. There are no ceilings on what can be assessed and, for the most part, carriers are taking full advantage of the situation. The regulations make two distinct provisions.

**SERVICE CHARGES FOR LATE-PAYMENT OF FREIGHT BILLS**

This section of the regulations permits carriers to “…establish service charges for payments made after the expiration of an authorized credit period…” They further provide that they can only assess the charge if its “…only purpose is to prevent a shipper who does not pay on time from having free use of funds due the carrier, that it does not sanction payment delays, and that failure to pay…will…require the carrier, before again extending credit, to determine…whether the shipper will comply with the credit regulations….”
RECOVERY OF COLLECTION EXPENSE CHARGES

This section of the regulations allows carriers to “...assess reasonable and certain liquidated damages for all costs incurred in the collection of overdue freight charges...” using one of two prescribed methods. They are the assessment of a separate charge or imposition of loss of discount.

Many motor carriers do not recognize any difference between a bill paid a few days late as opposed to one that is not paid at all. Typically, a late-paid bill usually involves the submission of an additional invoice with a reminder that payment is due. It seems logical and fair to create some type of provision accommodating that situation such as a service or finance charge that is a true reflection of any increased costs the carrier might incur for rebilling. A bill that remains unpaid for any length of time and that leads to the use of collection services (which may or may not involve an attorney) merits more severe treatment. But even in these instances, the penalty must be reasonable and loss of discount may not meet that criteria.

Typical discounts range from 40% to 80%. If the shipper pays the freight bill one day late, a shipment that incurred discounted charges of $480 could suddenly escalate to $800 (if a 40% discount was in place) or significantly more (if higher discounts apply). This means nominal late-payment (as opposed to nonpayment) costs the shipper $520. One tariff provision imposed a loss of discount or “service” charge minimum equal to 200% of the charges that were applicable to the shipment.

STATUS OF THE “LATE-PAYMENT” LOSS OF DISCOUNT PENALTY

The loss of discount, late-payment penalty is collectible and has been collected by carriers. Generally shippers have been settling with carriers for lesser amounts. There have been few court cases treating the issue. There was one district court case in which the judge found the resulting loss-of-discount penalty unreasonable and proceeded to prescribe recovery charges compatible with usual business practices. The word “reasonable” is the key to the entire matter and will likely be tested in other court proceedings and in the Humboldt case.

THE HUMBOLDT COURT PROCEEDINGS

Representatives of Humboldt Express, a bankrupt motor carrier, are attempting to use credit regulation provisions to recover loss of discount late-payment penalties. It is the first estate to invoke them. The case has been in the courts for several years and has reached the appeals court level. The STB filed comments with the U.S. Bankruptcy Court, Western District, North Carolina, to “assist in the disposition of the appeals of several shippers defending themselves against efforts by Humboldt...to collect additional freight charges for the late payment of freight bills.”

The STB filed its comments as a statement of legal principles concerning application of the provisions, but did not review any evidence in the cases presently before the Bankruptcy Court. The Board advised:
(1) Regulations allow for recovery of *reasonable* liquidated damages for costs incurred in collection of overdue freight charges;

(2) The credit regulations are intended to permit carriers to recover their costs of collection while protecting shippers from excessive charges;

(3) When no collection attempt has been made, “*the appropriate remedy for a late payment is to assess reasonable interest charges on the amount of the late-paid bill during the period it remained unpaid,*”

(4) When collection attempts have been made, liquidated damages assessed “*must bear a reasonable relationship to the costs of the collection effort,*”

(5) The credit regulation provisions were never intended as a penalty on a shipper or to provide a windfall for trucking companies.

It must be noted that these penalties are applicable whether the motor carrier is bankrupt or is a healthy, in-business enterprise. If the carrier is in compliance with applicable provisions, the fees, interest and other “penalties” are 100% collectible at this point in time. Some in-business carriers have pursued former customers for late-payment penalties after their business relationship soured.

**PERSPECTIVE ON MOTOR CARRIER CREDIT RULES**

It is just about impossible to audit, process and pay a motor carrier’s freight bill in 15 days, and few shippers do. Typically everything is fine as long as the shipper and carrier are doing business. Should there be a parting of the ways or disagreement on some major point, that changes. It is imperative that all negotiated transportation contracts address bill payment procedures. The shipper who does not enjoy negotiated rates or cannot negotiate a contract should be aware of these tariff provisions and should look for the carrier with the best terms. This shipper has no negotiating leverage, and therefore no defense or protection against these kinds of unfair tariff provisions.

It seems that the motor carrier freight transportation sector of the economy can never totally shake regulation. It fought deregulation initially and now embraces it. But vestiges of the past remain—such as credit rules. Virtually every other commercial enterprise in the U.S. functions under the Uniform Commercial Code and/or state statutes and principles of common law that govern the extension of credit and collection of debts. Not so motor carriers who have their own, very special set of regulations. They are told how they can extend credit to their customers, when they can and when they cannot. Remedies for handling late-payers are prescribed, to include some not-so-clear regulations concerning “penalties” that may be imposed. Why?

Specialized credit regulations for motor carriers, in a highly regulated environment made sense. They were a form of protection. This was an industry that was subject to absolute price setting controls and was legally bound by those rates. Motor carriers were subject to a rigid, common carrier service obligation meaning they were not allowed to refuse service to anyone if the requested service conformed to their operating authority.
BUT — that is the past. Radical changes began in 1980. Everything has changed. Motor carriers are free of all economic regulation, and should be free of all of the protections that go with that regulation. Credit rules are nothing more than hangers-on and hangovers from a regulated era. It simply is not necessary to treat freight bills any differently than any other bill or invoice for services rendered.
SECTION 8
CERTIFICATIONS, DECLARATIONS, FORMULAS AND OTHER REQUIREMENTS AFFECTING RATE APPLICATION

Transportation rules impose conditions that must be met to qualify for savings they might represent or to avoid cost increases. Sometimes a simple declaration, written on the bill of lading at time of shipment, is all that is required. In others instances calculations, according to a prescribed formula, must be made. The purposes are to determine if the freight qualifies to use the desired billing description and to create eligibility. This section provides a summary of commonly used certifications, declarations, and formulas.

BUMPING

Bumping is the practice of legally declaring different shipment weights or densities to reduce freight charges. There are two kinds of bumping — weight bumping and density bumping. Density bumping must usually be specifically allowed by a rating item and obviously is only allowed in those providing multiple ratings based on density. Weight bumping is not limited by the rating description. It depends on the different shipment weight brackets typically used to set up rate levels.

In both cases, a breakpoint exists between each bracket where freight charges are identical. Any shipment weighing more than the breakpoint moves more economically by bumping it to the next rate level. General rules for bumping are:

- Freight may only be bumped to the next level — levels cannot be skipped; and
- Bumping must be declared at time of shipment and is rarely allowed after the fact.

DENSITY BUMPING

Determine the actual cubage*, density* and weight of the package(s) being bumped. Multiply the actual cubage by the density level to which the shipment is being bumped. The result is the weight at which the shipment is billed. A declaration must be made on the bill of lading at time of shipment.

Classifications and tariffs contain many descriptions where multiple ratings apply based on the density of the freight. While it is a bit complicated, density bumping can produce cost savings, particularly for those who repetitively ship freight subject to density-based ratings. Breakpoints — one for the density and one for the shipment weight — can be calculated. Once calculated and matched to the appropriate rates, bumping can be automatic. When certain criteria are met, the employee is instructed to automatically bump the freight.

* Formulae appear on page 55 in this section.
WEIGHT BUMPING

Weight bumping works on the same principle as density bumping. The shipper declares and pays for a heavier than actual shipment weight to lower freight charges. Use it where freight rates are based on a series of shipment weights such as less than 500 pounds, 1000 to 2000 pounds, etc. LTL rated shipments are bumped to the next higher LTL weight category; LTL rated shipments can be bumped to a TL rate category; and TL rated shipments are bumped to the next higher TL weight category. LTL to TL weight bumping is most effectively applied to larger LTL shipments.

Carriers are enacting limitations on weight bumping. Many are publishing cubic capacity rules and other provisions that impose rate penalties if the shipment, for its weight, occupies too much space in a trailer. These types of provisions temper the use of bumping, but they do not preclude it.

DECLARATIONS

Shippers are required to make declarations on bills of lading to qualify for some rates. Most of the declarations are prescribed in tariff and classification rules or rate descriptions. It is the shipper’s responsibility to learn which declarations are required for its freight. Some more common declarations required on the bill of lading are as follows.

VALUE DECLARATIONS. These declarations are required if rates or ratings are based on the actual or released value of the freight. The declaration generally states “The value of the articles is hereby stated to _____ per lb” or “The value of the articles is hereby stated to exceed _____ per lb but does not exceed _____ per lb.” If released articles are involved, the declaration may read “Articles are released to a value not exceeding ____ per lb.” The rate or rating item contains the various applicable value levels. Declarations are made using those values and any specifically required wording as shown in the involved rating item. A value certification is also printed on the face of the UBL and must be executed.

DENSITY DECLARATIONS. These declarations are required if rates or ratings are based on the density of the freight. The declaration generally states “Density is hereby stated to be ___ lbs pcf” or “Density is greater than ____ lbs pcf but less than ____ lbs pcf.” The certification varies according to the type of rate or rating structure. Sometimes specific wording must be used. Consult the actual rate or rating description for complete instructions.

BUMPPING DECLARATIONS. These declarations are required if the shipment has been bumped to the next higher rate level based on either shipment density or shipment weight. When density bumping, most rate and rating descriptions prescribe specific wording that must be used. Specific wording can be prescribed when weight bumping as well, but often a simple “800 lbs declared as 1000 lbs” suffices.

SHIPPER LOAD AND COUNT (SLC). This notation is usually made when the shipper loads the trailer, pallets, skids or other containers and provides the package count.
RATED SAME OR LOWER (RSL). A notation usually made on the bill of lading when mixed packages or shipments are involved and when no FAK rates or other exceptions have been negotiated or when no tariff exception applies.

SCRAP OR USED DECLARATIONS. These notations are made on the bill of lading at time of shipment. The purpose is to move articles that are damaged, scrap, flawed, used, being shipped for reconditioning and/or that have other characteristics making them of little or no value. The declarations may only be used if the rate or rating item provides lower rates for the scrap or used article and it is required to qualify for the lower rates and ratings. Often the declaration requires the shipper to certify that the articles are being shipped for purposes of reclamation, destruction, etc.

There are many other declarations and certifications that carriers may require a shipper to make on the bill of lading. It is the shipper’s responsibility to find out what they are and when they must be used. Sometimes, if the certification isn’t made, it is possible to recover overcharges. That is not always the case and even when allowed, recovery can be difficult and can eliminate most of the rate savings realized.

MIXED SHIPMENTS

Freight classifications generally impose the following rating policy on mixed shipments. A mixed LTL shipment consists of a group of packages or pieces with some or every package containing differently rated articles. Charges are assessed based on the applicable rate for each of the separately classed packages. A shipment consisting of —

| 4 cartons | Commodity A | LTL 100 | 200 lbs |
| 10 cartons | Commodity B | LTL 85 | 500 lbs |
| 5 cartons  | Commodity C | LTL 70 | 100 lbs |
| 5 cartons  | Commodity D | LTL 85 | 600 lbs |

is billed in this exact manner — 200 lbs at Class 100, 1100 lbs at Class 85 and 100 lbs at Class 70. The shipper must list each differently rated article, piece or package on the bill of lading. If two or more differently rated articles are mixed in the same package, the package is charged the highest rate applicable to any article it contains.

A mixed TL shipment is rated a little differently. A TL shipment consisting of —

| Commodity A | TL 85 @16,000 lbs |
| Commodity B | TL 50 @30,000 lbs |
| Commodity C | TL 85 @12,000 lbs |
| Commodity D | TL 70 @24,000 lbs |
| Commodity E | TL 45 @24,000 lbs |

would be rated at Class 85 (the highest rate) at 30,000 lbs (the highest minimum weight). Shippers must either take great care when assembling mixed shipments or negotiate exceptions. There are many tariff exceptions to classification mixed shipment rules. FAK rates are commonly used alternatives and negate application of the rules in their entirety.
COMMON FORMULAS

CUBAGE - multiply package length x width x height. If dimensions are in inches, divide by 1728. Result is CUBAGE.

DENSITY - calculate package cubage and multiply the result by package weight.

RESULTANT WEIGHT - used when density bumping. Calculate the package’s actual cubage and then multiply it by the density to which the shipment is being bumped. Result is the RESULTANT WEIGHT.

PERCENT OF PACKAGE OCCUPIED - used when determining if a package can use cost saving opportunities presented by advertising material rules. Place the primary product in a package, without the display or advertising material. Calculate the percentage of space and weight the commodity occupies. If the space occupied or weight meets or exceeds minimums provided in the classification or tariff rule, the displays or advertising materials may be included at the same (lower) rate level as the primary product. Consult the actual tariff rule for minimum requirements and for declarations that must be made at time of shipment when using this rule. Note that this type of calculation may be required in other rating items involving mixed packages.

Classification and tariffs may prescribe other formulas for calculating eligibility for use of specific rating levels. Again, it is the shipper’s responsibility to determine where they are required.

PACKAGING CRITERIA

Packaging refers to the outer box, barrel, bundling or other container in which articles are tendered for shipment. It also refers to the inner container in which the primary product or article is packaged. Packaging is often used to determine applicable rates. For example, one rate may apply to an article or commodity when shipped in a box and another when shipped in a barrel, or loose on skids. Primary product packagings can affect rate applications as well. Any inner packaging that lowers density (makes the product lighter) ultimately leads to higher rates. The most common culprits are:

BLISTER-PACKED - Article is contained in a preformed plastic receptacle attached to a cardboard backing

SKIN-PACKED - Article is placed on a cardboard card and is covered by a thermoformed plastic sheet that conforms to the shape of the article

CARD MOUNTED - Article is affixed to a cardboard card by staples, tape, ties or other devices
The form or shape of the article when shipped can also determine applicable rates. The more condensed the article, the higher (heavier) the density and the lower the rate. The six most common criteria, used to differentiate article form or shape are as follows.

**KNOCKED DOWN (KD)** - the article’s bulk has been reduced by at least one-third of its setup condition

**KNOCKED DOWN FLAT (KD FLAT)** - article’s bulk has been reduced by at least two-thirds of its setup condition

**NESTED** - Three or more articles nested within each other, with each article not projecting more than one-third of its height from the article within which it is nested

**NESTED SOLID** - Three or more articles nested within each other, with each article not projecting more than one-quarter of an inch more than the article within which it is nested

**SETUP (SU)** - article is in a fully assembled condition or disassembled, folded or otherwise reduced in size but not meeting other definitions of freight conditions provided for rates

**SETUP IN SECTIONS (SU SECTIONS)** - article is taken apart in sections but not meeting other definitions of freight condition provided for determining rates
SECTION 9

OUTSOURCING

Outsourcing is the use of for-hire services or third-party providers to perform a function, a company does not wish to do itself, for any number of valid reasons. The transportation industry is built on third-party services.

Carriers, brokers, forwarders, warehousemen, freight bill auditing and payment services, consultants — the list goes on — are all third-party providers. The services they offer have evolved through the years in response to the demands of customers, statutory changes, and technological and mechanical advances. Just-in-time, cross-docking and many other contemporary logistics practices are part of this evolution. Crossover in services provided by modern carriers (particularly motor, air and express carriers) is also part of the continuing evolution.

Any organization considering using third-party services, particularly in the logistics area, must do their homework. If they do not thoroughly understand their own operations and identify exactly what they need and why, failure is almost assured. It is very easy to waste money, time, and get involved in relationships that turn acrimonious simply because of an inability to define requirements.

There is a plethora of services available to buyers in the freight transportation and logistics sector. Everything from freight bill payment to freight hauling to warehousing to one-stop logistics service is there for the asking. But just because it’s there doesn’t mean a particular buyer needs it. Go back to basics.

(1) Why does your company want to outsource any function it now does or can do? There are many answers and they include: it’s cheaper, it’s faster, it will improve customer service, it will reduce inventory costs, it will allow better management and use of employees, it will reduce labor and overhead costs, the service being considered requires special expertise but demand for it fluctuates, it will increase time available for core tasks, or savings will go directly to the company bottom line. This list is not all-inclusive.

(2) What kind of transportation and logistics services can a company consider outsourcing? By giving the term “logistics” a precise but simple definition it can be readily learned what can be considered. Logistics is the management of inbound and outbound materials, supplies and finished goods. This includes everything from arranging transportation to warehousing to inventory maintenance to distribution.

Follow the logistics chain and numerous opportunities for effective outsourcing emerge. By way of example, contract and rate negotiation with carriers can be outsourced as well as freight bill payment and audits. Development of distribution programs, inventory and warehousing management, are other areas to be explored. An outsourcing project can examine the value of outsourcing selected elements of the logistics chain, or, can explore a total outsourcing.
(3) What type of transportation and logistics third-party provider is best? There is no way to answer that question that is right for everyone. The third-party provider sector is undergoing continuing rapid change. There is a tremendous amount of crossover today as compared to just a few years ago. What would have been viewed as an unconventional source for a particular kind of service then is becoming usual today. For example, parties that were once just viewed as motor carriers are now providing full-blown logistics services, sometimes even including performance of segments of the manufacturing and assembling processes for their clients.

One-stop services are on the rise and are effective in some but not all situations. Usually it is the larger, more sophisticated buyer who can take best advantage of these types of services and best monitor performance. However, smaller companies can use them successfully as well. One-stop and combined services contain inherent conflicts that also must be addressed.

Situations are seen where, say for example, a carrier or broker selects the service carrier (usually themselves, earning revenues or commissions from the choice), pays the freight bills (often earning additional fees), and then audits its own service performance. One-stops and combined services can be very effective, but the need for monitoring is obvious. To date, the vast majority of shippers do selective outsourcing with the most frequently outsourced services being freight bill payment and auditing.

(4) What does a buyer do before it shops for a service or provider? Once a buyer has an idea of what it would like to outsource, the buyer must have an understanding of what it costs for it to do the task. It then should learn if it is doing the task as efficiently as possible what changes would reduce costs, thus generating an accurate idea of the true cost of doing the service itself. It also should see how its experience stacks up against others, i.e., benchmark. Once this basic data is on hand, the buyer can then better evaluate proposals presented to it.

(5) Next the buyer needs to seek bids for the services it has identified as most likely candidates for outsourcing. This usually requires the preparation of a request for bid. If the bid is complex, a multiple-step bidding process is required. First step may be transmission of an abbreviated bid description to identify interested bidders. Next may be a weeding out of interested bidders using financial criteria, whether or not they are asset-based, and a preliminary determination of capabilities. The next stage could be provision of the detailed bid package to remaining bidders coupled with meetings explaining the package. This would be followed by a preliminary evaluation of submitted bids with the goal of developing a list of finalists. The final stage would be in-depth interviews, inspection of facilities, and execution of any other review and checking processes required that lead to the selection of the service provider. If a single service is being sought, such as freight bill auditing, the process is simpler. Usually competitive bids are sought from interested providers, services are compared and the selection is made.

The goal in any selection process is to identify a provider with whom the buyer wants to do business for several years. All references must be thoroughly checked. Reference checks should include all of the usual financial and credit references as well as contact of other clients for whom
similar services have been or are being provided. Qualified bidders should have direct and/or indirect experience in performing the task. If the task is particularly complex, direct specific experience is preferable. Always evaluate the safeguards and performance standards built into the proposal, with security being a prime consideration when monies and/or competitive information is involved.

Contracts should be gone over with a fine-toothed comb. Contract complexity increases commensurately with the complexity of the tasks being undertaken. They should not be signed without proper legal review and a complete understanding of the task descriptions, fees and charges, and performance requirements and benchmarks.

The need for participation of upper management also increases in direct proportion to the complexity of the tasks. Without the support of company management and high-level executives, complex logistics outsourcing will fail. Even outsourcing simpler tasks can be difficult without proper support.
SECTION 10

50 FREIGHT SHIPPING TIPS

Individuals involved in the day-to-day functions of freight transportation and logistics can often be so absorbed by the task demanding their immediate attention that “best practices” start to take a back seat. The following freight shipping tips address the obvious and not so obvious. Some will be reminders and others will point the way to new solutions.

✔ Use the most economical packaging that provides the protection needed for the freight. Overpackaging (using containers that exceed requirements) or using unusual containers when not necessary inflates packaging costs.

✔ Packaging should meet the basic specifications laid out in the classification and need only go beyond that if necessary to assure safe, damage-free transportation of freight.

✔ Don’t reinvent the wheel — sometimes off-the-shelf packaging is totally adequate.

✔ If customized packaging is required, hire a professional to evaluate the basic requirements and develop it.

✔ Design packaging to protect against theft by not placing well-known logos or other wording that identifies the contents — “ANOTHER XYZ COMPUTER” translates to “Steal me!” in any language.

✔ Consider self-insuring for loss, damage or shortage claims (in total or in part) and seeking appropriate rate reductions from serving carriers.

✔ Evaluate use of outside insurers for small parcel shipments – there are several available that offer alternatives to the coverages provided by United Parcel Service, etc.

✔ When you experience cargo loss and damage, follow procedures (such as requesting inspections, noting damage on delivery receipts, having the driver initial same) to improve recovery.

✔ Preprint frequently used billing descriptions and associated ratings/rates to reduce errors and speed up preparation. Consider using computer-based shipping document generating systems and/or periodically reevaluate any system in place.

✔ Billing descriptions should be as complete as possible to eliminate consignor-caused billing errors.

✔ When abbreviating billing descriptions be sure to retain critical elements — those that impact rate application — insert rates when they are known and if not known be sure to include class ratings and contract and tariff references that control rate application.

✔ Be sure bills of lading are complete including all necessary declarations and signatures and any notations required by applicable contracts and tariffs.
✔ Be sure bills of lading and contracts comply with the latest legislative and regulatory changes.

✔ Don’t assume you have the best available rate in any given lane — rates vary considerably among the carriers that are serving that lane — shop around.

✔ Don’t assume a discount applies to all freight a carrier may haul for you — it may not apply to joint-line hauls or to every point the carrier lists in its service guide.

✔ Assume a discount or allowance is limited or subject to qualifications and you will be right 100% of the time.

✔ Consolidate incoming and outgoing shipments to enhance rate negotiating leverage and/or to take advantage of discounts and other incentives carriers give for larger shipment lots.

✔ Consolidate parcels and small parcel shipments to take advantage of incentives offered by this class of carriers.

✔ Combine shipments going to one shipper on one bill of lading.

✔ Investigate drop-shipping possibilities for parcel and small LTL shipments.

✔ Understand the application of accessorial charges and take steps to avoid or alleviate them.

✔ When HazMats are shipped be sure all shipping documents, placarding and other criteria are met to avoid imposition of fines by government authorities and service refusal by carriers.

✔ Negotiate with carriers concerning additional fees imposed on transportation of HazMats.

✔ Use time-definite services wisely — overnight deliveries do not have to be accomplished by using air carriers — many surface carriers offer overnight service up to a 300-500 mile radius from specific hubs at lower premium surface delivery prices.

✔ Negotiate consignee/consignor discounts and allowances for performing loading and unloading.

✔ Take a look at reverse logistics and its return, reuse, recycle mindset.

✔ Take a look at reusable/returnable containers — significant savings can be realized by reusing/recycling packaging materials and containers.

✔ Freight classifications are the basis for all rates — be sure your commodities are securing the lowest possible classification ratings and if not pursue changes in the published classification description.
If customer pickups are allowed, do not let them disrupt for-hire carrier pickups and deliveries, and make every effort to recover any additional costs caused by them.

Implement a quality carrier selection process that includes monitoring selected carriers’ performance.

Develop a basic knowledge of carrier costs to become a better negotiator.

Know your costs — you will never be an award winning procurer of any third-party services unless you do.

Investigate new technology and techniques and how they might be applied to your operations.

Make sure all contracts, letter agreements and other pricing arrangements are up-to-date and in writing.

Make sure the freight bill you pay is yours.

Pay all freight bills before penalty provisions for non-payment and/or late-payment can be applied.

Audit all freight bills prior to payment.

Audit all freight bills after payment and file claims for overcharges within 180 days of billing.

Make sure all transportation contracts contain provisions protecting you against unilateral rate increases.

Benchmark your performance against others by participating in industry meetings, transportation associations, and using whatever benchmarking data is available.

Realize a maximum return from third-party providers such as freight bill payment companies and auditors – many have “value-added” services, or include a menu of accessoril services – review them, choose wisely and use the information selected to best advantage instead of just filing it.

Get a handle on returned-goods freight costs — the “hidden” element that often never finds its way into the budget it breaks.

Develop, maintain and enforce routing guides.

Study rules tariffs and evaluate your packaging, consolidating, palletizing, and other practices against them — improve those practices and/or negotiate around the special charges imposed by the rules.
Evaluate company loading facilities for ways they contribute to increasing costs — such as by creating congestion and delays, inability to effectively consolidate because of lack of adequate staging area, etc.

Be sure carriers used are fully and properly insured for both cargo loss and liability events.

Know if you are dealing with a carrier, broker or freight forwarder — it makes a difference relative to liability for freight charges, cargo loss and damage, and performance of specific responsibilities.

Practice continuing education by attending seminars and workshops and/or attending college/university courses.

Practice self-education by reading books, trade publications, newsletters and other sources to keep current and enhance your understanding of new technologies.

Recognize that logistics and all the components that term embraces are undergoing profound and rapid change. Accept it and become a part of it.
## GLOSSARY

### FREIGHT TRANSPORTATION TERMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>AAR</td>
<td>Association of American Railroads</td>
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<tr>
<td>ACCESSORIAL CHARGE</td>
<td>Charge assessed for non-line haul services</td>
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<tr>
<td>ACCESSORIAL SERVICE</td>
<td>Service provided in addition to usual transportation service, i.e., packing, storage, special PUD services, etc.</td>
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<tr>
<td>ACTUAL VALUE, ACTUAL VALUE RATE</td>
<td>Refers to the actual or true value of the commodity or to a rate based on the actual value of the commodity</td>
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<tr>
<td>ADVANCED CHARGES</td>
<td>Freight or other charges advanced by a carrier to another carrier or to the shipper to be collected from the consignee</td>
</tr>
<tr>
<td>AGGREGATING OR AGGREGATE TENDER</td>
<td>Act of assembling several small shipments into one lot for tender to the carrier at one time, usually for purposes of receiving a discount or allowance</td>
</tr>
<tr>
<td>ALLOWANCES</td>
<td>Deduction in rates afforded for compliance with specific tariff terms</td>
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<tr>
<td>ALTERNATING OR ALTERNATIVE RATES</td>
<td>Two or more rates to/from the same place with provisions for applying the one producing the lowest charge</td>
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<tr>
<td>ANTITRUST LAWS</td>
<td>A series of statutes that prohibit collaboration on pricing, price discrimination, monopolies, and engaging in other acts that serve to restrain trade and impede competition. The Sherman Act and Clayton Act are the two primary antitrust statutes in the U.S.</td>
</tr>
<tr>
<td>APPEALS COURT, APPELLATE COURT</td>
<td>A court that has the power to review the decisions made by a lower court with the authority to overturn them if the lower court erred in application of the statutes</td>
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<tr>
<td>ARBITRARY RATE OR CHARGE</td>
<td>Charge added to rates applying to/from one point to make a rate to/from another point, or, for other purposes</td>
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<tr>
<td>ASSEMBLY SERVICE</td>
<td>Service under which carrier consolidates small shipments from several consignors and transports them as a single shipment to a single consignee</td>
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<tr>
<td>ATA</td>
<td>American Trucking Associations</td>
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<tr>
<td>ATA</td>
<td>Air Transport Association</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>BACKHAUL</td>
<td>Return movement of vehicle with or without freight</td>
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<tr>
<td>BALANCE DUE BILL</td>
<td>A bill for additional freight charges usually tendered after the initial bill of charges has been paid</td>
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<tr>
<td>BANKRUPTCY</td>
<td>A judicially approved state in which a business declares it will go out of business and the court manages its indebtedness, or in which a business seeks protection from creditors while it reorganizes to pay its debts</td>
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<tr>
<td>B/L</td>
<td>Bill of Lading</td>
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<tr>
<td>BILL OF LADING</td>
<td>The contract of carriage between a shipper and carrier, and the receipt acknowledging tender and delivery of goods</td>
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<tr>
<td>BREAK BULK</td>
<td>Unloading and reshipping contents of a trailer</td>
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<tr>
<td>BREAK BULK POINT</td>
<td>Location where a break bulk operation is performed</td>
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<tr>
<td>BROKER</td>
<td>A person or company that earns a commission while acting as an intermediary procuring freight for carriers from multiple shippers</td>
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<tr>
<td>BULK FREIGHT</td>
<td>Refers to freight shipped loose or not in packages</td>
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<tr>
<td>BUMPING</td>
<td>Legal practice of declaring a shipment at the next lower rate level on a density or weight basis</td>
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<tr>
<td>CARMACK</td>
<td>Amendments to the Interstate Commerce Act dealing with carrier liability for cargo loss or damage</td>
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<tr>
<td>CLAIM</td>
<td>Document presenting evidence to recover loss/damage to freight or for recovery of overcharges or undercharges</td>
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<tr>
<td>CLASSIFICATION</td>
<td>A commodity list publication or can also refer to a commodity's freight description</td>
</tr>
<tr>
<td>CLASS RATE</td>
<td>Rate resulting from application of rating named in a classification or class rate tariff</td>
</tr>
<tr>
<td>CLASS RATING</td>
<td>Numerical value assigned a commodity during the freight classification process</td>
</tr>
<tr>
<td>CLASS RATE TARIFF</td>
<td>Tariff containing class rates only</td>
</tr>
<tr>
<td>CLM</td>
<td>Council of Logistics Management</td>
</tr>
<tr>
<td>COD</td>
<td>Collect on Delivery — collection of cash for merchandise</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>COFC</td>
<td>Container-on-flatcar</td>
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<tr>
<td>COMMON CARRIER</td>
<td>Formerly a carrier providing for-hire, interstate transportation of property or persons on a regularly scheduled basis</td>
</tr>
<tr>
<td>COMMON LAW</td>
<td>A system or series of court decisions establishing legal principles and precedents that serve as the law in the absence of an actual statute</td>
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<tr>
<td>CONCEALED LOSS OR DAMAGE</td>
<td>Damage or loss not evident from viewing unopened package</td>
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<tr>
<td>CONSIGNEE</td>
<td>Receiver of goods</td>
</tr>
<tr>
<td>CONSIGNOR</td>
<td>Shipper of goods</td>
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<tr>
<td>CONNECTING CARRIER</td>
<td>A carrier having direct connection with another or forming a connection between two or more carriers</td>
</tr>
<tr>
<td>CONSOLIDATION</td>
<td>Act of bringing together small shipments to form one larger shipment</td>
</tr>
<tr>
<td>CONTRACT CARRIER</td>
<td>Carrier hauling freight under contract</td>
</tr>
<tr>
<td>CUBAGE</td>
<td>Value determined by multiplying the greatest dimensions of a package (length, width &amp; depth) in inches and dividing by 1728, producing cubage in cubic feet</td>
</tr>
<tr>
<td>CUSTOMS</td>
<td>U.S. Customs Service</td>
</tr>
<tr>
<td>CWT</td>
<td>Hundred weight</td>
</tr>
<tr>
<td>DENSITY</td>
<td>Result of dividing shipping weight of a package by cubage</td>
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<tr>
<td>DISTRIBUTION</td>
<td>The process of distributing finished goods to the customer</td>
</tr>
<tr>
<td>DISTRIBUTION SERVICE</td>
<td>Service where carrier accepts a single shipment from a single shipper and separates it at destination for delivery to more than one consignee</td>
</tr>
<tr>
<td>DIVERSION</td>
<td>Changing of routing or destination of shipment while in transit</td>
</tr>
<tr>
<td>DOT</td>
<td>U.S. Department of Transportation</td>
</tr>
<tr>
<td>EDI</td>
<td>Electronic Data Interchange</td>
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<tr>
<td>ELKINS ACT</td>
<td>A statute that prohibits the offering of considerations by a carrier or the acceptance of considerations by a shipper in return for tendering freight to the carrier</td>
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<tr>
<td>EXCEPTION</td>
<td>Rate or rule that differs from and takes precedence over those shown in normally governing classifications and tariffs</td>
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<tr>
<td>FAK</td>
<td>Freight-All-Kind, a type of tariff rate</td>
</tr>
<tr>
<td>FHWA</td>
<td>Federal Highway Administration (part of the U.S. DOT)</td>
</tr>
<tr>
<td>FMC</td>
<td>Federal Maritime Commission</td>
</tr>
<tr>
<td>FOB</td>
<td>Freight-on-board or Free-on-board - terms denoting when title of goods passes from buyer to seller</td>
</tr>
<tr>
<td>FRAUD</td>
<td>Intentional misrepresentation, concealing of facts, or misleading conduct causing injury to another party</td>
</tr>
<tr>
<td>FREE ASTRAY</td>
<td>Refers to shipments misloaded or lost and subsequently found. Shipment is considered astray and when found is sent to proper destination without further charge</td>
</tr>
<tr>
<td>FREE TIME</td>
<td>Time allowed to load/unload freight before trailer or vehicle detention charges accrue</td>
</tr>
<tr>
<td>FREIGHT BILL</td>
<td>An invoice tendered by a carrier showing charges for services rendered and demanding payment for same</td>
</tr>
<tr>
<td>FREIGHT BILL</td>
<td>The practice of reviewing freight bills, either before or after payment to identify overcharges and undercharges</td>
</tr>
<tr>
<td>AUDITS</td>
<td></td>
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<tr>
<td>FREIGHT BILL</td>
<td>Third-party service in which a firm is engaged to audit and/or pay freight bills on behalf of a shipper</td>
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<tr>
<td>PAYMENT SERVICES</td>
<td></td>
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<tr>
<td>FREIGHT COLLECT</td>
<td>Term denoting transportation charges are the responsibility of the consignee (receiver)</td>
</tr>
<tr>
<td>FREIGHT</td>
<td>Individual or company accepting LTL shipments from multiple shippers and combining them into TL lots for transport</td>
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<tr>
<td>FORWARDER</td>
<td></td>
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<tr>
<td>FTCA</td>
<td>Freight Transportation Consultants Association</td>
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<tr>
<td>ICA</td>
<td>Interstate Commerce Act</td>
</tr>
<tr>
<td>ICC</td>
<td>Interstate Commerce Commission</td>
</tr>
<tr>
<td>ICCTA</td>
<td>Interstate Commerce Commission Termination Act of 1995</td>
</tr>
<tr>
<td>INTERLINED</td>
<td>Freight that must be transported by more than one carrier to reach its final destination</td>
</tr>
<tr>
<td><strong>INTERMEDIATE POINT</strong></td>
<td>Point located enroute between origin and destination</td>
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<tr>
<td><strong>INTERMODAL FREIGHT</strong></td>
<td>Freight moving via two or more different carrier modes, for example a combined motor and rail haul</td>
</tr>
<tr>
<td><strong>INTERSTATE COMMERCE</strong></td>
<td>Business activity conducted between/among entities in different states, most commonly associated with transportation of cargo and/or passengers</td>
</tr>
<tr>
<td><strong>INTERSTATE TRAFFIC</strong></td>
<td>Freight moving between points in two or more states or between points in the same state via a route passing through another state</td>
</tr>
<tr>
<td><strong>INTRASTATE TRAFFIC</strong></td>
<td>Freight moving between points within a state</td>
</tr>
<tr>
<td><strong>JOINT RATE</strong></td>
<td>Rate applying when in order to go from origin to destination the freight moves via two or more carriers</td>
</tr>
<tr>
<td><strong>KD</strong></td>
<td>Knocked Down — An article is KD when it has been taken apart, folded or telescoped so as to reduce its bulk by at least 33 1/3% of normal cubage</td>
</tr>
<tr>
<td><strong>KD FLAT</strong></td>
<td>Knocked Down Flat — An article is KDF when it has been taken apart, folded or telescoped so as to reduce its bulk by at least 66 2/3% of normal cubage</td>
</tr>
<tr>
<td><strong>LIABILITY LIMITS</strong></td>
<td>The maximum dollar amount for which a carrier declares it is liable in the event of cargo loss or damage</td>
</tr>
<tr>
<td><strong>LTL</strong></td>
<td>Less-than-truckload — a shipment size or a rate for a shipment of this size</td>
</tr>
<tr>
<td><strong>LINE HAUL</strong></td>
<td>Transportation from one city to another as differentiated from local or intracity trucking</td>
</tr>
<tr>
<td><strong>LOGISTICS</strong></td>
<td>The management of inbound and outbound materials and finished goods</td>
</tr>
<tr>
<td><strong>LONG TON</strong></td>
<td>2240 lbs</td>
</tr>
<tr>
<td><strong>LOOSE</strong></td>
<td>Freight shipped without inner and/or outer packaging</td>
</tr>
<tr>
<td><strong>MCA</strong></td>
<td>Motor Carrier Act of 1980</td>
</tr>
<tr>
<td><strong>MILEAGE TARIFF</strong></td>
<td>Tariff naming rates based on mileage or distance to be traveled</td>
</tr>
<tr>
<td><strong>MINIMUM CHARGE</strong></td>
<td>Lowest charge than can be assessed to haul a shipment</td>
</tr>
<tr>
<td><strong>MINIMUM RATE</strong></td>
<td>Lowest rate permitted to apply between given points</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>MODE OR CARRIER</td>
<td>The type of carrier, i.e., motor, ship, rail, air</td>
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<tr>
<td>MODE</td>
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</tr>
<tr>
<td>MW</td>
<td>Minimum Weight — lowest weight a shipment must meet to qualify for specific rates</td>
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<tr>
<td>NASSTRAC</td>
<td>National Small Shipment Traffic Conference</td>
</tr>
<tr>
<td>NCC</td>
<td>National Classification Committee — carrier group responsible for developing and publishing the National Motor Freight Classification</td>
</tr>
<tr>
<td>NRA</td>
<td>Negotiated Rates Act of 1993</td>
</tr>
<tr>
<td>NESTED</td>
<td>Articles packed so one rests partially or entirely within another</td>
</tr>
<tr>
<td>NITL</td>
<td>National Industrial Transportation League</td>
</tr>
<tr>
<td>NMF OR NMFC</td>
<td>National Motor Freight Classification — a publication containing commodity descriptions applicable to freight moving via motor common carrier</td>
</tr>
<tr>
<td>NOI</td>
<td>Not Otherwise Indexed — used in tariffs and classifications and means the given description applies unless the article is more specifically described elsewhere in the tariff or classification</td>
</tr>
<tr>
<td>NOS</td>
<td>Not Otherwise Specified — same application as NOI</td>
</tr>
<tr>
<td>OC or O/C</td>
<td>Overcharge</td>
</tr>
<tr>
<td>OUTSOURCING</td>
<td>The practice of employing third-party services to perform logistics functions such as freight bill payment or audit services</td>
</tr>
<tr>
<td>PARTICIPATING CARRIER</td>
<td>A carrier that is a party to a tariff, classification or a provision published in them</td>
</tr>
<tr>
<td>PCF</td>
<td>Per Cubic Foot — used in conjunction with density</td>
</tr>
<tr>
<td>PIGGYBACK</td>
<td>Transportation of highway trailers or containers on railroad flatcars</td>
</tr>
<tr>
<td>POD</td>
<td>Proof of Delivery</td>
</tr>
<tr>
<td>POINT OF ORIGIN</td>
<td>Point from which a shipment is consigned by a shipper to a carrier for hauling</td>
</tr>
<tr>
<td>PREPAID</td>
<td>Term denoting transportation charges are the responsibility of the consignor (shipper)</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PRO NUMBER</td>
<td>Progressive Number — a number applied to freight bills for control</td>
</tr>
<tr>
<td>PU</td>
<td>Pickup — calling for freight by truck at consignor's location</td>
</tr>
<tr>
<td>PUD</td>
<td>Pickup and Delivery</td>
</tr>
<tr>
<td>RATE BASIS</td>
<td>Area in which a given point is located for purposes of determining applicable rates</td>
</tr>
<tr>
<td>RATE BUREAUS OR</td>
<td>Bureaus established by motor carriers to collectively establish rates using an antitrust exemption, publish tariffs on their behalf, and to provide other statistical services</td>
</tr>
<tr>
<td>TARIFF BUREAUS</td>
<td></td>
</tr>
<tr>
<td>RATE SCALE</td>
<td>Table of rates graduated according to zones, distances, weights, or other criteria</td>
</tr>
<tr>
<td>RBN</td>
<td>Rate Basis Number — an identification number assigned a geographic origin or destination point</td>
</tr>
<tr>
<td>RBP</td>
<td>Rate Basis Point — a geographic location from which or to which a rate is based</td>
</tr>
<tr>
<td>RECONSIGNMENT</td>
<td>Changing bill of lading provisions as to consignee (receiver) while shipment is in transit</td>
</tr>
<tr>
<td>RELEASED RATE</td>
<td>Rate applying when carrier does not assume responsibility for full value of freight if lost or damaged</td>
</tr>
<tr>
<td>RELEASED VALUE</td>
<td>Value to which cargo loss and damage recovery is limited. Serves to limit carrier’s liability for that loss or damage</td>
</tr>
<tr>
<td>RSL or RS&amp;L</td>
<td>Rated Same or Lower — used in billing descriptions for packages and shipments containing freight subject to different rate or class rating levels</td>
</tr>
<tr>
<td>RSPA</td>
<td>Research and Special Projects Administration (part of the U.S. DOT)</td>
</tr>
<tr>
<td>SCC</td>
<td>Supply Chain Council</td>
</tr>
<tr>
<td>SHORT TON</td>
<td>2000 lbs</td>
</tr>
<tr>
<td>SLC</td>
<td>Shipper Load &amp; Count - denotes contents of truck were loaded and counted by the shipper and not verified by the carrier</td>
</tr>
<tr>
<td>STATUTE OF LIMITATIONS</td>
<td>The time period, designated in a law, by or within which claims must be filed or court action taken, else the claim or court action is barred</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
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<tr>
<td><strong>STB</strong></td>
<td>Surface Transportation Board</td>
</tr>
<tr>
<td><strong>SU</strong></td>
<td>Setup — describes commodities in an assembled condition or that do not meet the definition of knocked down, knocked down flat, or setup in sections</td>
</tr>
<tr>
<td><strong>SU SECTIONS</strong></td>
<td>Articles shipped in sections that cannot be considered knocked down, knocked down flat or setup</td>
</tr>
<tr>
<td><strong>SURCHARGE</strong></td>
<td>A charge this applied in addition to all other charges applicable to a shipment, such as a fuel cost recovery surcharge</td>
</tr>
<tr>
<td><strong>TARIFF</strong></td>
<td>Publication containing freight rates</td>
</tr>
<tr>
<td><strong>TCPC</strong></td>
<td>Transportation Consumers Protection Council</td>
</tr>
<tr>
<td><strong>TIRRA</strong></td>
<td>Trucking Industry Regulatory Reform Act of 1994</td>
</tr>
<tr>
<td><strong>TL</strong></td>
<td>Truckload — a shipment size and also refers to rates for such shipments</td>
</tr>
<tr>
<td><strong>TRAFFIC MANAGEMENT</strong></td>
<td>Management of procurement of transportation services including carrier selection, rate negotiation, rate analysis, shipment preparation and documentation, bill payment and other tasks</td>
</tr>
<tr>
<td><strong>TRANSLOAD</strong></td>
<td>Reloading or transferring freight while in transit</td>
</tr>
<tr>
<td><strong>UBL</strong></td>
<td>Uniform Bill of Lading</td>
</tr>
<tr>
<td><strong>UC or U/C</strong></td>
<td>Undercharge</td>
</tr>
<tr>
<td><strong>UNIFORM COMMER-CIAL CODE</strong></td>
<td>A series of laws (statutes) governing commercial transactions such as sale of goods, banking transactions and other matters, that have been adopted by almost all states</td>
</tr>
<tr>
<td><strong>UNITIZING</strong></td>
<td>The act of banding, wrapping, strapping, shrink or stretch-wrapping two or more individual pieces of freight into a bundle or onto a pallet, platform, skid or other shipping device</td>
</tr>
<tr>
<td><strong>VOLUME RATE</strong></td>
<td>Rate applicable in connection with which a volume minimum weight applies</td>
</tr>
<tr>
<td><strong>WAREHOUSEMEN’S LIABILITY</strong></td>
<td>Having liability for goods in care when damage or loss is caused by failure to exercise reasonable care</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>WEIGHING AND INSPECTION BUREAU</td>
<td>Carrier organization having authority to inspect all freight to assure application of correct billing descriptions, shipment weights and compliance with all applicable classification and tariff provisions. Some larger carriers conduct their own weighing and inspection services.</td>
</tr>
<tr>
<td>WEIGHTBREAK</td>
<td>The point between shipment rate levels at which freight charges equalize</td>
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</tbody>
</table>
APPENDIX A

SUMMARY OF KEY PROVISIONS OF
SELECTED DeregULATION LEGISLATION

NEGOTIATED RATES ACT OF 1993

- Small businesses (as defined under the Small Business Act) and non-profit entities (as described in Section 501(c)(3) of the Internal Revenue Code) are not liable for undercharge claims.

- A negotiated, unfiled rate was defined as a rate, charge, classification, or rule, agreed upon by a bankrupt motor carrier or freight forwarder and a shipper through negotiations, pursuant to which no tariff was lawfully and timely filed, and for which there is written evidence of the agreement.

- Complaints brought against operating motor carriers for unreasonably high rates for past or future shipments cannot use the exception "reasonableness" defenses provided in the NRA. They are subject to usual procedures and rules.

- Recipients of undercharge claims may pursue all remedies normally available under USC Title 49 (Interstate Commerce Act et al) to dispute them; an alternative prescribed settlement process, for existing undercharge claims, was made available to claim recipients.

- Persons disputing claims by challenging the reasonableness of the legally applicable, published freight rates or charges do not have to pay the claimed amount until a reasonableness determination is made by the ICC.

- The person against whom the claim is filed must show:
  - They were offered a rate other than the one legally on file,
  - They relied upon the offer and tendered freight,
  - They were billed for the services and paid at the offered rate level,
  - The rate was not properly or timely filed, or the carrier or forwarder failed to enter into an agreement for contract carriage.

- The ICC was given jurisdiction to make unreasonable practice determinations and must consider the following factors:
  - A rate other than the one on file was offered,
  - Freight was tendered in reasonable reliance on the offered rate,
• The rate was not filed or not timely filed, and there was a failure to enter into a contract agreement,
• The transportation was billed for and collected at the unpublished rate level,
• A demand for additional payment is being made.

• The statute of limitation on undercharge and overcharge claims was reduced first to 24 months (for one year from date of enactment) and then to 18 months.

• Eliminated the use of customer account codes in tariffs.

• Eliminated the use of rate ranges in tariffs and required publication of absolute rates.

• Reenacted more stringent regulation of motor carrier transportation contracts mandating they must be in writing and must, at a minimum contain the following information:
  • The names of the parties to the contract,
  • A commitment by the shipper to tender and the carrier to transport a series of shipments,
  • The rate or rates for the service to be provided,
  • A statement that the contract provides for the assignment of equipment for a continuing period for the exclusive use of the shipper OR,
  • That the service being provided meets a distinct need of the shipper.

• Eliminated the practice of the motor carriers providing a rate reduction to any person other than the person directly paying for the service (or the agent of that person), also known as off-bill discounting.

• Required motor carriers to disclose actual rates, charges or allowances when documentation is presented or transmitted electronically for payment to the person actually paying the freight charges.

• Prohibited any person from causing a motor carrier to present false or misleading information on a document about the actual rate, charge or allowance to any party to the transaction.

• Provided that persons, officers, employees or agents of those persons, that knowingly pay, accept or solicit reduced rates in violation of these regulations are subject to a civil penalty of not less than $5000 or more than $10,000, plus three (3) times the amount of damages a party incurs because of the violation.
THE TRUCKING INDUSTRY REGULATORY REFORM ACT OF 1994

- Limited the requirement that carriers publish rates and rules in tariffs and file them with the ICC to those tariffs containing collectively determined rates, rules and charges.

- Continued application of the filed rate doctrine to collectively determin rates, rules and charges but eliminated it in all other instances.

- Forbid filing of non-collective ratemaking determined rates, rules and charges with the ICC.

- Eliminated application of the filed rate doctrine in most, but not all, cases.

- Eased entry into service for all motor carriers requiring only that they demonstrate the ability to meet safety fitness and minimum financial responsibility requirements, and an ability to comply with any other appropriate ICC regulations.

- Reduced the statute of limitations applicable to overcharge and undercharge claims to six months.

- Relieved motor contract carriers of the obligation to file minimum or actual rates governing their contracts and of the responsibility of providing shippers advance notice of changes in rates and rules effecting charges in contracts.

- Codified the ICC decision requiring that any carrier referencing a governing classification, mileage guide or other tariff must be a participant in the governing publication by payment of appropriate fees and granting power of attorney to the publisher.

- Mandated that motor carriers provide shippers copies of any rates, rules, tariffs or classifications affecting their shipments, but only if the shipper requests the information.
THE INTERSTATE COMMERCE COMMISSION TERMINATION ACT

- Enacted almost complete economic deregulation of motor carriers and completely rewrote USC Title 49.
- Established a new, comprehensive transportation policy to ensure development, coordination and preservation of the U.S. transportation system.
- Eliminated the ICC and replaced it with the STB, which would function under the DOT.
- Made railroad oversight the primary regulatory focus of the STB with the Board having a minimal oversight role over motor carriers, regulatory oversight of motor carriers was transferred to the DOT and Federal Highway Administration (FHJWA).
- Retained a limited antitrust immunity permitting motor carriers to collectively enact general rate increases, joint rates, household goods rates and rules, rules, classifications and mileage guides.
- Established a zone of rate reasonableness to apply to motor carrier and/or water carrier rates applicable to shipments moving in non-contiguous domestic trade. Generally a rate is considered reasonable if it is not more than 7.5% above or 10% below the rate or division in effect one year before the new rate takes effect. The zone may be adjusted from time to time by the percentage change in the Producers Price Index.
- Required tariffs containing rates applicable to traffic moving in non-contiguous trade to be filed with the STB, and such rates remain subject to a filed rate doctrine, but all other tariffs (including those containing other collectively determined rates) may not be filed.
- Retained the STB’s authority to prescribe credit rules and the circumstances under which a carrier may extend credit for freight charges to shippers and receivers, and penalties for late payment of rates and charges.
- Retained the prohibition against off-bill discounting and rebating and continued the requirement that actual rates, charges or allowances must be shown on the freight bill as must to whom the allowance or reduction is made, and penalties for violation of the prohibition.
- Incorporated the provisions of the NRA to include continued availability of the unreasonable practice defense in most instances.
- Permitted carriers and shippers the right to mutually agree to resolve overcharge and undercharge claims resulting from billing errors, incorrect tariff provisions, improper tariff filing, etc. for services provided in non-contiguous service where the rates must be filed with the STB.
• Transferred motor carrier registration and licensing processes to DOT, including registration of freight forwarders and brokers.

• Eliminated the distinction between motor common and contract carriage, replacing the common carrier obligation with a requirement that the carrier provide service upon reasonable request of a shipper.

• Eliminated remaining detailed provisions governing the contents of motor carrier transportation contracts.

• Gave shippers and carriers the right to mutually agree to waive, in a contact, any provisions of the law excepts those governing safety fitness, insurance and carrier registration.

• Incorporated provisions of the Aviation Act that preempted intrastate regulation, of motor carriers of property, freight forwarders and brokers.

• Retained the Carmack Amendments but allowed carriers to unilaterally modify their liability limits by publishing notice of the same in their tariffs and rate sheets; the nine-month minimum time requirement for filing loss, damage or shortage claims and the two-year limitation on civil actions was retained.

• Explicitly extended to offended parties the right to bring civil actions against motor carriers to enforce DOT rulings; and provided a series of civil and criminal penalties to apply for specific infractions of the new statute.
APPENDIX B

SUMMARY OF BILL OF LADING
CONTRACT TERMS AND CONDITIONS

The following summarizes UBL contract terms as printed on the back of the document. All parties using the UBL are subject to its contractual terms unless they provide alternatives in written transportation contracts.

SECTION 1

This section provides that the carrier is liable under common law for any loss to property in its care except as provided elsewhere in this contract. It further provides the carrier is not liable for loss or damage to freight, or any delay in delivery, caused by an Act of God, the public enemy, the authority of law, riots, strikes, inherent vice of the property, or the act or default of the shipper. It also provides the carrier is not liable if the property is stopped and held in transit at the request of the shipper, owner or party entitled to make such request.

SECTION 2

Section 2 provides the carrier will transport the shipment with reasonable dispatch. The carrier is not bound to transport a shipment according to any particular schedule or for a specific arrival time unless there is a written agreement providing for time definite transportation and delivery.

SECTION 3

This section addresses recovery of cargo loss, damage or shortage. It requires that claims must be filed in writing with any carrier participating in the transportation that has sufficient information to identify the shipment. Claims must be filed within nine months after delivery of the property. Claims for failure to make delivery must be filed within nine months after a reasonable time for delivery has passed. Suits must be filed not later than two years and one day from the day when written declination of a claim is given to the claimant. The carrier is not liable if the claim is not made in writing or if it is not filed on time.

SECTION 4

Section 4 addresses delivery refusals or inability to make delivery because of the fault of the consignor (shipper) or consignee (customer). It requires the carrier to “promptly” provide notice by phone, fax or other means to the shipper or party named to receive notice on the bill of lading. Storage charges for undeliverable shipments begin to accrue the following business day. If the shipper or other designated party does not provide disposition instructions within forty-eight hours the carrier will provide final notice. If the shipper does not respond within ten days the carrier may sell the shipment. Proceeds from the sale will first pay for any freight and storage charges. The remainder will be returned to the shipper or owner of the goods upon submission of a claim with proof of ownership. Perishable goods may be disposed of more quickly.
Section 4 also provides that a carrier is not liable for property if it is directed by the consignor or consignee to leave the property in a location when neither is normally located.

SECTION 5

Part (a) of this section provides that if property is shipped at a released, lower value level, that value governs the amount that can be recovered in the event the property is lost or damaged. Part (b) provides the carrier will not carry or be liable for documents, coins, money, or articles of extraordinary value that are not rated in the NMFC. The carrier may, at its option, agree in writing to carry such freight.

SECTION 6

Section 6 provides that every party (principal or agent) indemnifies the carrier against any and all liability if they ship explosives or dangerous goods without full written disclosure. The carrier can warehouse or destroy the goods (at its option) assuming no liability risk and providing no compensation to the owner.

SECTION 7

This section deals with payment of freight charges. The consignor or consignee is liable for the charges as billed or corrected. The consignor can elect to use the non-recourse clause if the shipment is being transported freight collect and the consignor executes the required endorsement on the face of the UBL. However, the consignor remains liable for charges if they were erroneously determined based on incomplete or incorrect information it provided. It also provides that if the description of the freight (classification, weight, etc.) is incorrect or incomplete, charges will be based on what is actually shipped.

SECTION 8

Section 8 provides that if a bill of lading is issued at the shipper’s order, it remains a valid document just as if the shipper had signed it.

SECTION 9

This section provides that if any portion of the transportation is via water, the water carriage portion is subject to the Carriage of Goods by Sea Act and/or other pertinent statutes. This has the effect of limiting liability for loss or damage.
APPENDIX C

CONTRACT CHECKLIST

This contract checklist is offered as a basic guide to transportation and other issues that should be addressed in a transportation contract. It is not all-inclusive as it cannot begin to address all of the individual requirements, criteria or special provisions that might apply to a situation. The checklist can serve as the beginning point but shippers (and carriers) must not construe it as legal advice. All transportation contracts should be reviewed by legal council.

SCOPE OF SERVICE

☐ Define geographic area
☐ Define and describe service carrier will provide
☐ Define if service applies from all points from which cargo is shipped to all destination points
☐ Define targets and goals and whether or not any incentives, penalties, or damages apply

PRICING

☐ Specify rates to apply — if tariff is referenced give specific name and number, issue, edition, effective date and provide application is limited to this issue only
☐ Specify the traffic to which the rates will apply — inbound, outbound, direct service points, joint line service points, etc.
☐ Specify treatment for accessorial charges, minimum charges, etc.
☐ Specify rules or rules tariff to apply (describing in the same manner as rates tariff), itemizing any rules that will not apply, or how they will be modified
☐ Specify that rates and rules are as named in this contract or as appended to it, and that no other rates and rules apply
☐ Specify that rates and rules may only be changed in writing and are not effective unless both parties agree
☐ Specify the bill of lading that will be used, including a provision that in case of conflict, contract governs (append a copy of the bill of lading to the contract)

FREIGHT CHARGES AND BILLINGS

☐ Specify where billings are to be transmitted and how (mail, electronic)
☐ Specify who will pay the bills and who is liable for payment
☐ Specify that carrier may not place a lien on cargo for freight charges
CREDIT PERIOD

☐ Specify the credit period (minimum and maximum)
☐ Include a waiver against imposition of loss of discounts, allowances or other incentives as a penalty for late-payment or non-payment — substitute provisions that comport with more usual businesses practices if desired

CARRIER QUALIFICATIONS

Carriers warrants that it has a:

☐ Current DOT Registration
☐ Liability Insurance
☐ Cargo Insurance
☐ Satisfactory Safety Rating

OPERATIONAL LIABILITY ISSUES

☐ Specify if additional liability insurance is required
☐ Specify if additional cargo insurance is required
☐ Specify that the carrier’s policies are the primary policies and that the shipper is an additional named insured
☐ Specify the carrier indemnifies the shipper for any damages or claims made by third parties or the carrier’s employees or agents
☐ Specify the carrier is responsible for suitability of equipment, employees and contractors and has complete control of it/them
☐ Specify the carrier is responsible for employee compensation and all taxes

CARGO LIABILITY ISSUES

☐ Specify if carrier liability is for full value or limited in any manner
☐ Specify how loss or damage claims are to be handled, allowing for offset against freight charges if necessary

DISPUTES

☐ Specify methods in which disputes are to be handled — informally (arbitration, mediation, etc), formally (courts - specify governing laws)
☐ Address forum selection (who chooses under which circumstances)
CONFIDENTIALITY

☐ Specify that information about shipper may not be used to the detriment of the shipper
☐ Specify that there will be no back-solicitation
☐ Specify that the shipper’s identify may not be disclosed for advertising purposes
☐ Specify other parties that may have access to the contract (bill payment service, consultant providing transportation management services, auditors, or any affiliates or subsidiaries of the shipper or carrier)

OTHER

☐ Specify the term (length) of the contract giving exact dates
☐ Specify how the contract may be cancelled (by either party, in writing, minimum notice requirement, etc.)
☐ Specify that the contract constitutes the entire agreement and that amendments can only be made in writing and are not effective unless agreed to by both parties
☐ Specify the carrier may not subcontract its services
☐ ICCTA Waiver
☐ Specify handling of overcharge claims including any extensions of the pre-condition (180-day) filing period
☐ Specify that in the event of conflicts with any tariff or classification or other carrier practice, the contract governs
APPENDIX D

OVERCHARGE/UNDERCHARGE CLAIM LIMITS
FOR INTRASTATE SHIPMENTS

Prior to federal pre-emption of states’ regulation of truck shipments within their boundaries, statutes of limitations existed governing overcharge and undercharge claims made against freight charges for intrastate (within state) shipments. The following provides a listing of those limitations. They are given in years and apply to both motor and rail freight bills unless otherwise noted.

Some motor carriers are claiming that federal pre-emption precludes a state mandating these limits, and that federal statutes apply. However, often these statutes did not specifically relate to just overcharge claims. They are statutory limits applicable to contractual arrangements. They were applied to freight shipments as well because they involve contracts and bills of lading (which are contracts). It remains to be seen how they will be applied and if the statutory limits are still being recognized.

<table>
<thead>
<tr>
<th>STATE</th>
<th>YEARS</th>
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<th>YEARS</th>
<th>STATE</th>
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</table>

* MOTOR  + RAIL  (1) May be less in some instances
### APPENDIX E

**INFORMATION ON STATE SMALL CLAIMS COURT REQUIREMENTS**

<table>
<thead>
<tr>
<th>STATE</th>
<th>MAXIMUM AMOUNT</th>
<th>FILING FEES</th>
<th>COURT</th>
<th>ATTORNEY STATUS</th>
<th>APPEALS COURT</th>
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<td>$1500.00</td>
<td>$27.00</td>
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<tr>
<td>AK</td>
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<td>$26.00</td>
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<td>CA</td>
<td>$5000.00</td>
<td>$15-$30</td>
<td>County SCC</td>
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<td>CO</td>
<td>$5000.00</td>
<td>$5-$43</td>
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<td>Justice of Peace Court</td>
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SMALL CLAIMS COURTS

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STATUTES OF LIMITATIONS

(1) 5 yrs written/3 yrs oral contracts
(2) 6 yrs from date claim occurs
(3) 10 yrs written/6 yrs oral contracts
(4) 6 yrs
(5) 3 yrs
(6) 6 yrs written/4 yrs oral contracts
(7) 15 yrs written/6 yrs oral contracts
(8) 2-4 yrs
(9) 5 yrs
(10) 7 yrs

MISCELLANEOUS

(11) Attorney or Corporate Officer Required
(12) Attorney required if claim amount exceeds $1500
(13) In Philadelphia - Municipal Court
(14) Attorney required if assets of company are $1 million or more

Please note that while every effort is made to provide current information, data may change without notice. Consult local authorities for the latest information.
APPENDIX F

THE U.S. COURT SYSTEM

Users and suppliers of transportation services, because they are no longer regulated, will become more frequent users of the U.S. court system. This appendix provides a brief overview of it. The court in which a claimant can pursue its suit depends on the issues. Sometimes a given claim or suit can be filed in either the national or local court system. In those instances the claimant can seek the venue that is most likely to produce the results its desires. In others, there is no choice of venue.

The U.S. court system consists of national (federal) courts, state courts, and then county and city courts. The national or federal courts are:

- U.S. Supreme Court
- Circuit Courts of Appeals
- District Courts
- Bankruptcy Courts

In addition there are several special purpose, national courts established to deal with particular aspects of U.S. and international law. They are:

- U.S. Court of Federal Claims
- U.S. Court of International Trade
- Special Court, Regional Rail Reorganization Act of 1973
- Judicial Panel on Multi-district Litigation
- U.S. Court of Appeals for the Armed Forces
- U.S. Tax Court
- U.S. Court of Veterans Appeals

The U.S. Supreme Court is the court of last resort, that is, it is the final arbiter and interpreter of laws and all decisions issued by lower courts that have been appealed and which it has determined it will hear.

There are twelve appeals or appellate courts in the Federal system — the eleven circuits covering the 50 states, and the U.S. Court of Appeals for the District of Columbia. Each of the eleven circuits covering the 50 states is assigned specific states over which it has jurisdiction. Each circuit is assigned a Supreme Court justice. Decisions rendered by appeals courts are binding in that court’s circuit only. While they are not binding in other circuits, they often serve as precedents. Different appellate courts frequently reach different conclusions on similar cases resulting in appeals to the U.S. Supreme Court. The eleven appellate court circuits and the states included in each are as follows:

- 1st Circuit Maine, Massachusetts, New Hampshire, Rhode Island and Puerto Rico
- 2nd Circuit Connecticut, New York and Vermont
While there is only one appellate court in each circuit, there usually is more than one district court. District court territories usually consist of a state or portion of a state. Generally, the more populous the circuit, the more district courts. The same holds true for bankruptcy courts. Bankruptcy court decisions are appealed to district courts and district court decisions are appealed to appellate courts. U.S. attorneys, assigned to states and metropolitan areas, and federal marshalls, come under the jurisdiction of the federal courts.

Most states have a similar but not identical court ranking and system. Typically there is a state supreme court. There may be a regional court system in place (like a district court), and most have bankruptcy courts. There may be a state appellate court or superior court system. Most counties have their own courts as do most major cities. These courts may or may not be divided into several areas of law such as family court, criminal, etc. States can also have small claims courts, magistrate systems and may even have arbitration structures. The state structure is customized and is specifically established to meet the demographic, political and social requirements of its populace. The state structure may or may not have some or all of the different types of court and judicial functions discussed here.
TABLE OF CONTENTS

INTRODUCTION .............................................................................................................. 1

SECTION 1 - PROFILE OF THE AIR FREIGHT INDUSTRY

REGULATION .................................................................................................................. 2
DESCRIPTION OF AIR CARRIERS .................................................................................. 2
  AIRLINES .................................................................................................................. 2
  AIR FREIGHT FORWARDERS ..................................................................................... 3
  ALL CARGO CARRIERS ............................................................................................ 3
  GENERAL AVIATION CARRIERS ........................................................................... 3

SECTION 2 - AIR FREIGHT SERVICES

DEFERRED STANDARD SERVICE ............................................................................... 4
STANDARD SERVICE .................................................................................................. 4
EXPEDITED STANDARD SERVICE ............................................................................ 4
SMALL PACKAGE/PARCEL SERVICE ......................................................................... 4
  AIRLINES ............................................................................................................... 5
  OTHER SMALL PACKAGE/PARCEL SERVICES ......................................................... 5
  LESS THAN TRUCKLOAD (LTL) MOTOR CARRIERS .............................................. 6
CHARTER FREIGHT SERVICE ..................................................................................... 6
AIR COURIER SERVICES .............................................................................................. 6

SECTION 3 - AIR FREIGHT RATES

RATE DESCRIPTIONS .................................................................................................. 7
  SPECIFIC COMMODITY RATES ............................................................................. 7
  COMMODITY CLASSIFICATION OR CLASS RATES ................................................... 7
  GENERAL CARGO RATES ....................................................................................... 7
  SPECIAL RATES ...................................................................................................... 7
  PARCEL AND SMALL SHIPMENT RATES ................................................................. 8
RATE APPLICATION ................................................................................................... 8

SECTION 4 - AIR WAYBILLS, CARRIER LIABILITY, AND CLAIMS ................................. 9

GLOSSARY OF AIR FREIGHT SHIPPING TERMS
AIR FREIGHT SHIPPING GUIDE

INTRODUCTION

The purpose of this guide is to familiarize users with basic air freight shipping services and rate structures and to provide basic information needed to shop for air services. It will provide an overview of the type of services available, a relative idea of their cost relationship one to another, and other basic information that will be helpful when seeking air freight service. A glossary of commonly encountered air freight shipping terms is at the back of the guide.

There may be reference (by name) to specific airlines, air carrier companies and/or services they offer throughout the guide. The purpose is to provide examples of the type of service or carrier under discussion. This may not be construed as an endorsement or recommendation for use of the carrier or service named.
SECTION 1

PROFILE OF THE AIR FREIGHT INDUSTRY

REGULATION

Air freight carriers are not subject to economic regulation at the national or state level. They are subject to safety laws and regulations administered by the Federal Aviation Administration (FAA), a part of the U.S. Department of Transportation. Air freight carriers are free to establish any rate or service levels they choose for domestic transportation of freight and passengers. They may establish liability limits and deadlines of their choosing for filing loss or damage claims.

Air carriers issue their rates in various forms and formats that they call by a variety of names. Some carriers still refer to their rate publications as “tariffs.” However, they are not tariffs in the formerly recognized legal sense of that word. The word “tariff” as used by air carriers simply means a price list. There is no filed rate doctrine, obligating the carrier to charge exactly what it shows in its tariff or price list. Air carriers may negotiate and change rates on the spot and are not required to publish rate changes in tariffs before hauling freight.

The rates in air carrier tariffs, when used in combination with the air bill, represent an enforceable agreement or contract between the shipper and carrier. This is what makes the rates binding on both parties at time of shipment.

International air freight and passenger services, on the other hand, remain subject to economic regulation accomplished through the International Air Traffic Association (IATA). International freight and passenger service is subject to rate and service economic regulation, governmental regulation imposed by destination countries, treaties that exist between the origin and destination country, and any international protocols to which the origin and destination country are a party. Rates for international freight service may be negotiated within the restrictions imposed by the carrier’s participation in IATA and other international rate conferences.

DESCRIPTION OF AIR CARRIERS

There are many air carriers providing domestic and/or international freight services, all of whom will fall into one (or more) of four general categories. They are: (1) airlines, (2) air freight forwarders, (3) all-cargo carriers, and (4) general aviation carriers.

AIRCRAFTES

An airline is a company or corporation engaged in the business of transporting both passenger and freight on a regularly scheduled basis between specific points. They can offer a variety of cargo service programs, ranging from small package to charter service.

AIR FREIGHT FORWARDERS

An air freight forwarder is a company or corporation engaged in the business of assembling, transporting, and distributing freight. Some forwarders have their own
aircraft but most utilize available airline and all-cargo carriers. This allows them to serve virtually any destination point.

**ALL CARGO CARRIERS**

An all-cargo carrier is a company or corporation engaged exclusively in the transportation of freight, on a scheduled basis, to specific points. They can, but rarely do, transport passengers and usually operate their own aircraft.

**GENERAL AVIATION CARRIERS**

A general aviation carrier is an individual, company or corporation that charters its equipment and/or services for the purpose of carrying freight and/or passengers. Generally their services are provided under contract. Charter services provided by these carriers should not be confused with charter services available from other types of air carriers. There are numerous general aviation carriers in operation throughout the United States.
SECTION 2

AIR FREIGHT SERVICES

A variety of air freight services are available to shippers. Some types of services will be offered by all air carriers while others may be limited to particular types of carriers. The services are called by a variety of trade names (whatever the individual carrier may wish to call its particular version or “brand” of a given service) but generally may be categorized as follows: (1) Deferred Standard, (2) Standard, (3) Expedited Standard, (4) Small Package/Express, (5) Charter and (6) Courier. The foregoing ranks the services as to their relative cost, one to another, from least to most expensive.

DEFERRED STANDARD SERVICE

Sometimes a carrier will offer non-prime time service or other types of service options where delivery of the shipment is made on a delayed basis. While these options may result in longer than usual service times, the carrier usually offers lower rates for them. All other freight handling procedures are the same as for Standard Service.

STANDARD SERVICE

Standard service affords freight routine or conventional handling. It is usually delivered to the carrier by the consignor and picked up by the consignee. Pickup/delivery (PUD) service is available at extra cost and usually must be specified/requested by the shipper. Delivery time is the usual time, as specified by the carrier, for the origin/destination points involved in the movement. Rates are often negotiated but may, at the carrier’s option, be published in its price list, tariff or rate sheet.

EXPEDITED STANDARD SERVICE

Expeditied standard service moves freight in normal channels but on an expedited or priority basis. For example it may be afforded reserved movement on a specific flight, or delivery within a prescribed time frame. Rates for this service are higher than for other standard services. Often there are provisions requiring the difference in cost (regular vs. expedited service) be refunded if the freight is not handled as agreed. All other freight handling procedures are the same as for Standard Service.

SMALL PACKAGE/PARCEL SERVICE

Small package/parcel service (also commonly referred to as express service) is offered by specialty carriers, airlines and other types of air carriers, and air carriers together with surface carriers. It is a specialized service, guaranteeing fast delivery (often overnight) of parcels, letters and documents and other kinds of freight. Some but not all of these carriers will also handle air shipments of hazardous materials and articles tendered in compliance with appropriate regulations. Services offered by the different parcel carriers are discussed below.
It is important to note this sector of the freight transportation industry is in transition. Traditional service and pricing lines are being breached as carriers crossover and provide services that before they would have never undertaken. Small parcel carriers (such as UPS et al) have aggressively and successfully pursued less-than-five hundred pound shipments that were previously always transported by less-than-truckload (LTL) motor carriers. Motor carriers are offering overnight and other express services to include air services. Carriers that were traditionally only air or only surface, have acquired or entered into joint ventures with complimentary carriers to provide both kinds of service.

AERCAPES

Many major airlines offer some type of small package, small shipment service. Freight that will be accepted is subject to size and weight limitations, to include the anticipated overall weight of the aircraft after allowing for passengers' baggage. Usually individual parcel weight is limited to approximately 22-70 lbs. Size is limited to approximately 56" to 90", combined dimensions. The individual airline must be consulted to determine exact requirements.

Usually the customer brings the package to the airline counter at least 30-60 minutes before scheduled departure. Usually freight charges must be prepaid and the package moves in an airport-to-airport mode. Door-to-door service is sometimes available but at extra cost. Each package is considered a separate shipment.

Airline acceptance of freight is conditioned on several other factors. At times some of them will not accept any cargo because they are flying at maximum capacity with their passenger loads. Many carry mail that is always given priority over other freight. Newer aircraft configurations and sizes are reducing available cargo space as well. Always talk to the airline first when using their services unless there is a contractual agreement in place.

OTHER SMALL PACKAGE/PARCEL SERVICES

The largest percentage of package/parcel or express service freight is transported by the carriers described in this category. They include such well-known names as FedEx, United Parcel Service (UPS), Airborne Express, DHL, the U.S. Postal Service (USPS), various courier services and many others.

Some of these carriers specialize in one kind of service or focus on niche markets (such as USPS’s Priority Mail service) while others offer a broad and expanding spectrum of services to include accepting larger shipments. Some are combination carriers, offering both ground and air services either directly or through joint ventures with complimentary express service carriers.

Most of these carriers offer overnight, two-day, and three-day service. Some offer same day service in selected markets. Most offer international express services. The type of service that is available from this group of carriers will depend on origin/destination points, shipment size and weight, and other factors.
LESS THAN TRUCKLOAD (LTL) MOTOR CARRIERS

Many LTL motor carriers now offer overnight, two-day and three-day delivery of letters, parcels, small shipments (and larger LTL shipments) throughout the country. These premium surface services are designed to compete with air freight services and reflect the fact that many air shipments, traveling short distances, go via surface carrier modes even when tendered and billed as air shipments. Costs for this kind of surface expedited service is usually more than typical LTL service but less than air freight service.

CHARTER FREIGHT SERVICE

This service is offered by airlines and some all-cargo air carriers. It consists of charter (rental) of all or part of an aircraft. It is usually only practical for large shipments requiring expedited service. Rates are negotiated. Costs are based on the type of aircraft being chartered, cargo capacity, type of freight being transported and other factors.

Charter services are also available from independent general aviation companies. These companies usually run small, single and multi-engine aircraft. They will usually haul just about anything but often specialize in hauling freight that airlines and all-cargo carriers will not carry.

AIR COURIER SERVICES

This service is as its name implies. The package is usually flown on commercial airlines accompanied by a courier or messenger who personally oversees its handling and processing. It is an extremely expensive service as the shipper pays for the freight/courier charges, air fare for the courier and any other expenses. Courier service is almost always used to move extremely high value merchandise, legal documents, etc. Airlines and other carriers will often use the word “courier” when describing other small package services. Do not confuse those offerings with true courier service.

The cost relationship of these services, as defined in this discussion, is a simplified presentation of a complex rating structure. There are numerous factors that will affect the ranking. They include the type of rate being assessed within the given service, the type of carrier, whether the freight is containerized or not, and any special deals, promotions, or discounts the carrier may have in effect or that have been negotiated.
SECTION 3

AIR FREIGHT RATES

Generally, air freight services are among the highest priced freight shipping services. Rates can change daily but some are more stable than others. For example, the rates associated with small package/parcel services are usually readily available and do not change that frequently.

There are no centralized publications permitting easy cost comparisons between carriers offering the same or similar services. The shipper must contact carriers directly and shop for the rate/service combination suitable to its requirements. Cost comparisons between air and other carrier modes (including surface and combination carriers) should be made before entering into contracts or long-term agreements.

RATE DESCRIPTIONS

Air freight service rates can generally be divided into five categories. They are: (1) specific commodity rates, (2) class rates, (3) general cargo rates, (4) special rates, and (5) parcel and small shipment rates. The important thing to remember about air freight rates is that they change and evolve as services are created and expanded. Discounts are available as are negotiated contracts and short-term agreements.

SPECIFIC COMMODITY RATES

These rates will either be published or quoted for a specific commodity to/from specific points. They often are provided for movement in a particular direction (east-to-west, west-to-east) and are subject to minimum weights.

COMMODITY CLASSIFICATION OR CLASS RATES

Commodity class rates are applicable to specifically designated classes of goods, products or merchandise. They are usually a percentage of general cargo rates.

GENERAL CARGO RATES

These rates are either published or quoted and are in effect for all points served by the carrier. They apply when there are no applicable specific commodity or class rates for the particular shipment or freight.

SPECIAL RATES

Carriers offer a number of other rate options. Unit Load Device Rates apply on containerized and/or palletized shipments. Density Discount Rates apply to freight having specified minimum densities. There are also rates applicable to priority and express freight services. Discounts are available to volume and contract shippers.
Carriers also develop unique rate packages, and shippers and carriers regularly negotiate rate and service packages.

**PARCEL AND SMALL SHIPMENT RATES**

These rates are typically published in charts and books that are readily available to interested shippers. They are based on shipment weight, distance traveled and zones and/or zip codes. Volume discounts, contract agreements and other treatments can be negotiated just as they may be negotiated for all other types of rates.

**RATE APPLICATION**

The actual cost of moving a shipment is dependent on two factors: (1) the rates that have been negotiated or for which the shipment is eligible, and (2) the methods used to assess the rate.

Air cargo rates are typically applied using a system of precedence that generally is as follows. Specific commodity rates take precedence over class rates and general cargo rates, unless lower charges are obtained by applying class or general cargo rates. Class rates take precedence over general cargo rates unless specific provisions to the contrary are quoted or published in the carrier’s rules, rate tariff or price sheet. Special rates or rate packages will alter precedence. Negotiated rates take precedence over all others. Once rate applicability is decided, the method of assessing them comes into play.

Rates can be assessed on the basis of actual gross weight of the shipment or based on volumetric or dimensional weight. The latter is generally used if the freight has a density below carrier prescribed limits. A formula is applied that assesses final charges based on the amount of space the cargo occupies in relation to its density. This is similar to the light-density rules routinely assessed by motor carriers.

Finally, containerization plays a role in final costs. Containers are also called Unit Load Devices (ULDs). There are a number of sizes and configurations for ULDs with many configured to fit in specific locations in specific types of aircraft. Containers may be carrier or shipper owned or owned jointly by both. Rates assessed containerized cargo are dependent on the usual factors for determining rates and are also conditioned on ownership and type of container.
SECTION 4

AIR WAYBILLS, CARRIER LIABILITY, AND CLAIMS

All air freight shipments must have an air waybill or airbill prepared by either the shipper, forwarder or carrier. The airbill is a non-negotiable contract for carriage of the cargo with contract terms often being printed on the reverse side. It documents the terms established between the shipper and carrier, acts as proof of delivery/receipt, serves as the basis and record for charges, and provides handling instructions to the carrier. The domestic waybill consists of 7 +/- copies. The international waybill consists of 14 +/- copies and also usually serves as a customs declaration and certificate of insurance in addition to the other functions described above.

The contents of a domestic airbill are not mandated by any federal agency or other organization. The precise content, layout and format, will vary from carrier to carrier. Airbills are becoming more and more simplified. In the case of domestic shipments there are usually few if any documents accompanying the shipment. Exporters and importers still must provide a number of other documents (such as export certificates, letters of instructions, etc.) as may be required for international shipments. Usually these documents are attached to the airbill.

Generally, all airbills will require the following information:

- Shipper’s and consignee’s account number (if it has one with the air freight service provider), company name, address, telephone number and name of contact person
- Date shipment was tendered to the carrier
- Value declaration that should be signed and a statement of service conditions
- Description of the type of service requested (overnight, 2-day, etc.) (often checkoff boxes)
- Description of the type of packaging
- Special handling instructions
- Area to note whether or not the shipment contains items subject to hazardous material or dangerous goods regulations, whether or not a shipper’s declaration is required, and whether or not the shipment can only be transported on cargo-only aircraft
- Other information needed for billing and payment of charges
- Package count and shipment weight
- Location for listing freight charges

When shipping via air, the shipper should declare a value for the freight listed on the air waybill. The declaration may be in any amount or may be “NO VALUE DECLARED.” Generally if no value is declared, the carrier’s maximum liability limits will apply. If a value is declared that exceeds the carrier’s maximum liability limitation, excess value charges may apply.

There are no uniform maximum values or charges for excess value. The values and charges are
set by the carrier or are a matter for negotiation between the shipper and carrier. It is the shipper's responsibility to determine the carrier’s minimum and maximum liability limits, or to negotiate limits and fees before shipping the freight.

There are no uniform loss, damage and shortage claim rules for domestic air freight. Generally, any claim must be justified and supported by documentation including proof of value. Usually air carriers provide the claim will not be paid until all due transportation charges are paid and, that the amount of the claim may not be deducted from due transportation charges.

Restrictions, such as time limits within which claims must be filed, vary from carrier to carrier. Shippers, particularly occasional air shippers, should be aware of the fact that carriers will modify claim rules at will. There are no requirements for domestic carriers to provide advance notice to their customers about any changes. Many often make changes and put them in effect before reprinting contract terms on air waybills or distributing notices in rate sheets and tariffs.

Those regularly shipping air freight should consider obtaining their own insurance coverage for loss, damage or shortage. Often the overall cost is less and recovery is quicker and more equitable. The occasional air shipper should ask about current claims and liability provisions each time they ship, particularly if the cargo has significant value.
## GLOSSARY OF AIR FREIGHT SHIPPING TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADVANCE CHARGES</td>
<td>Freight or other charges advanced by the carrier to another carrier or to the shipper</td>
</tr>
<tr>
<td>AIR WAYBILL</td>
<td>Non-negotiable contract for carriage of cargo</td>
</tr>
<tr>
<td>ASSEMBLY SERVICE</td>
<td>Act of consolidating shipments from several shippers for transportation as a single shipment to a single consignee</td>
</tr>
<tr>
<td>CARGO</td>
<td>Anything carried on an aircraft except passengers, mail and accompanied baggage</td>
</tr>
<tr>
<td>CARTAGE</td>
<td>Charge made for hauling freight that is normally associated with PUD services</td>
</tr>
<tr>
<td>CHARGEABLE WEIGHT</td>
<td>Weight on which freight charges are assessed</td>
</tr>
<tr>
<td>COD</td>
<td>Collect on Delivery—collection of cash for merchandise</td>
</tr>
<tr>
<td>COLLECT</td>
<td>Term denoting transportation charges are the responsibility of the consignee</td>
</tr>
<tr>
<td>CONSIGNEE</td>
<td>Person or company to whom freight is delivered</td>
</tr>
<tr>
<td>CONSIGNOR</td>
<td>Person or company from whom freight is accepted for transportation</td>
</tr>
<tr>
<td>CONSIGNMENT</td>
<td>A shipment, meaning one or more pieces accepted by the carrier for transportation at one time/place, receipted as one lot, moving on one airbill to one consignee at one destination</td>
</tr>
<tr>
<td>CONTINENTAL U.S.</td>
<td>The 48 contiguous states and the District of Columbia</td>
</tr>
<tr>
<td>CUSTOMS CONSIGNEE</td>
<td>See Intermediate Consignee</td>
</tr>
<tr>
<td>CONTAINER</td>
<td>A box or device for holding multiple pieces or packages of cargo</td>
</tr>
<tr>
<td>DECLARED VALUE</td>
<td>Value of shipment as stated in writing by the shipper on the airbill</td>
</tr>
<tr>
<td>DEMURRAGE</td>
<td>Charge made on container held by or for the consignor or consignee for purposes of loading/unloading, applied when freetime is exceeded</td>
</tr>
<tr>
<td>DIMENSIONAL WEIGHT</td>
<td>See Volumetric Weight</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>DISTRIBUTION SERVICE</td>
<td>Service where carrier accepts a single shipment from a single shipper and separates it at destination for delivery to more than one consignee</td>
</tr>
<tr>
<td>EMBARGO</td>
<td>Carrier refusal for a limited period to accept a commodity, type or class of cargo to specified destinations</td>
</tr>
<tr>
<td>EXCESS VALUE CHARGE</td>
<td>Amount charged for shipment on which declared value exceeds the carrier’s maximum liability</td>
</tr>
<tr>
<td>FREE ASTRAY</td>
<td>Refers to a shipment miscarried or misdelivered which is forwarded to correct destination free of charge</td>
</tr>
<tr>
<td>GROSS WEIGHT</td>
<td>Weight of the freight together with the weight of its container and packing materials</td>
</tr>
<tr>
<td>INTERMEDIATE CONSIGNEE</td>
<td>The customs broker or other agent of the consignee who is designated to perform customs clearance services</td>
</tr>
<tr>
<td>ISSUING CARRIER</td>
<td>Carrier who issues a bill of lading or other shipping documents</td>
</tr>
<tr>
<td>MINIMUM CHARGE</td>
<td>The lowest charge for which a shipment will be transported</td>
</tr>
<tr>
<td>NET WEIGHT</td>
<td>Weight of the freight excluding the container and packaging materials</td>
</tr>
<tr>
<td>PREPAID</td>
<td>Term denoting transportation charges are the responsibility of the consignor</td>
</tr>
<tr>
<td>PRO NUMBER</td>
<td>Progressive number, a control number applied to freight bills</td>
</tr>
<tr>
<td>PUD</td>
<td>Pickup and Delivery</td>
</tr>
<tr>
<td>RECONSIGNMENT</td>
<td>Changing the airbill provisions as to consignee or destination while shipment is enroute</td>
</tr>
<tr>
<td>RESTRICTED ARTICLES</td>
<td>Articles subject to hazardous material regulations or that will only be handled under certain conditions, or that will not be transported</td>
</tr>
<tr>
<td>SHIPPER’S DOCUMENTS</td>
<td>Documents (other than receipts, contracts and waybills) necessary to deliver or handle a shipment</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>SLI</td>
<td>Shipper’s Letter of Instruction - document containing instructions for preparation of shipping documents, air waybills and forwarding freight</td>
</tr>
<tr>
<td>SURCHARGE</td>
<td>An additional amount added to usual freight and service charges</td>
</tr>
<tr>
<td>TARE WEIGHT</td>
<td>Weight of a container and packaging materials excluding the weight of the cargo</td>
</tr>
<tr>
<td>UNIT LOADING DEVICE</td>
<td>See Container</td>
</tr>
<tr>
<td>VALUATION CHARGES</td>
<td>Charges assessed when a value is declared that is higher than the carrier’s basic liability limits</td>
</tr>
<tr>
<td>VOLUMETRIC WEIGHT</td>
<td>Weight on which freight charges are assessed for light and bulky (low density) cargo</td>
</tr>
</tbody>
</table>
GUIDE TO USING
DOMESTIC AND INTERNATIONAL
MAIL SERVICES

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# TABLE OF CONTENTS

- **INTRODUCTION** ................................................... 1  
- **HISTORY** ........................................................ 1  

## SECTION 1

**USPS ORGANIZATION AND MAIL HANDLING PROCEDURES** ................. 2  

## SECTION 2

**DOMESTIC MAIL PROCESSING CATEGORIES AND SERVICES** ................. 3  
**MAIL PROCESSING CATEGORIES** ........................................... 3  
  - LETTERS .............................................................. 3  
  - FLATS .................................................................. 3  
  - MACHINABLE PARCELS .......................................... 3  
  - IRREGULAR PARCELS ............................................ 3  
  - OUTSIDE PARCELS .............................................. 3  
**SERVICE CLASSES AVAILABLE FOR MAILED ITEMS** ......................... 4  
  - EXPRESS SERVICE ............................................... 4  
  - FIRST CLASS SERVICE .......................................... 4  
  - SECOND CLASS SERVICE ....................................... 4  
  - STANDARD MAIL ................................................... 4  
  - PACKAGE SERVICES ............................................... 4  
  - SUPPLEMENTARY SERVICES ..................................... 4  

## SECTION 3

**DOMESTIC MAIL SERVICES AND RATES BY CLASS** .......................... 5  
**FIRST CLASS MAIL SERVICE** .......................................... 6  
  - LETTER MAIL ...................................................... 6  
  - PRIORITY MAIL .................................................... 6  
**STANDARD MAIL** .......................................................... 9  
**PACKAGE SERVICES** ...................................................... 11  
  - BOUND PRINTED MATTER ....................................... 12  
  - MEDIA MAIL .......................................................... 13  
  - PARCEL POST ........................................................ 14  
**EXPRESS MAIL** ............................................................. 16  
**SUPPLEMENTARY SERVICES** ............................................. 18  
  - ADDRESS LIST SERVICES ....................................... 18  
  - BULK PARCEL RETURN SERVICE (BPRS) ..................... 18  
  - BUSINESS REPLY MAIL (BRM) ................................. 18  
  - CERTIFICATE OF MAILING ..................................... 18  
  - CERTIFIED MAIL ................................................... 19  
  - COLLECT ON DELIVERY (COD) ............................... 19  
  - DELIVERY CONFIRMATION ...................................... 20  
  - INSURED MAIL ...................................................... 20  
  - MERCHANDISE RETURN .......................................... 21
## TABLE OF CONTENTS

### SECTION 3

- Metering ........................................... 21
- Parcel Airlift ....................................... 21
- Permit Imprints ..................................... 22
- Registered Mail ..................................... 22
- Restricted Delivery .................................. 22
- Return Receipt ...................................... 23
- Return Receipt for Merchandise ....................... 23
- Signature Confirmation .............................. 23
- Special Handling .................................... 23

### SECTION 4

- International Mail Services and Rates ....................... 24
- International Mail Services ................................ 24
  - Letter-Post Service .................................. 24
  - Parcel Post Mail Service ............................. 24
  - Global Express Mail (GMS) ............................ 24
  - Global Express Mail Guaranteed ....................... 25
- Supplementary Mail Services ............................... 25
  - Bulk Mail Services .................................... 25
- International Mail Rates ................................ 26
  - Selected Country Group Assignments .................. 26
- Letter-Post Mail .................................... 27
- Parcel Post Mail Service ............................. 29
- Express Mail Services ................................ 31

### SECTION 5

- Improving Service and Delivery ........................ 32
  - Commercial Mail Processors ........................... 32
  - Consolidation Services ............................... 32
  - Electronic Services .................................. 32
  - International Programs ................................ 33
  - Metering ........................................... 33
  - Permit Mailings ...................................... 33
  - Plant Loadings ...................................... 33
  - Presorts ............................................ 33
  - Addressing Practices .................................. 34
  - Summary ............................................. 34

### OFFICIAL AND COMMONLY USED MAILING AND ADDRESSING ABBREVIATIONS

- Official and Commonly Used Mailing and Addressing Abbreviations ............................... 35
GUIDE TO USING
DOMESTIC AND INTERNATIONAL
MAIL SERVICES

INTRODUCTION

All businesses utilize the United States Postal Service (USPS). Utilization may be limited to the mailing of necessary correspondence, invoices, bills, and statements, or, may involve extensive use of various services as an integral part of a freight shipping program. This guide reduces about one foot of postal regulations and guidelines into a one-half inch thick manual. It is designed to provide readers with an introductory, better-than-conversational knowledge of USPS services, regulations and fees. It provides an overview of the types of services available from the USPS, giving enough information to enable users to evaluate those services for use in their shipping programs.

HISTORY

The USPS was originally established as a part of the federal government. Its stated mission was the delivery of correspondence and parcels from and to persons and organizations within the U.S. and between the U.S. and foreign countries.

The contemporary postal service is not a federal agency. It is a quasi-independent organization that is subject to regulatory oversight by the U.S. Postal Rate Commission (PRC). Postal rate increases, service changes and any other such actions the USPS might wish to take must be approved by the PRC.

By law, one class of mail cannot subsidize another. For example, first-class postage revenues cannot be used to underwrite a discount for Standard Mail. Each mail class must pay its own way. General overhead expense is allocated to each class of mail. USPS competitors have alleged that the overhead allocation system used by the USPS causes subsidization and allows USPS to charge less for products/services with which private services must compete. The proceeding for the postal rate increase that took effect in 1995 was the first occasion that the Postal Rate Commission ordered the allocation system adjusted. It was the PRC’s view that too much general overhead was being allocated to first class mail which was not exactly the outcome USPS competitors desired.

The Private Express statutes mandate the USPS must deliver first class mail to all addresses (it cannot refuse service) so it is given a monopoly over that mail. However, it must compete head-to-head with United Parcel Service, Federal Express, Airborne and a host of other similar for-profit services for delivery of domestic and international, overnight and surface letters and parcels.
SECTION 1

USPS ORGANIZATION AND MAIL HANDLING PROCEDURES

USPS mail handling and processing utilizes a complex system of regional, area, state and bulk mail processing centers. Each type of center has a specific role to play. Some will handle bulk mailings while others handle only first class and international mail. Others will handle combinations of types of mail such as letters, flats and single parcels. Population density and available labor force are two of the major considerations in designating the type and location of mail processing centers.

To facilitate mail delivery, the contemporary USPS created ZIP codes. The U.S. was divided into ten (10) major geographic regions to which ZIP codes were assigned. The basic ZIP code consists of five digits with each digit further localizing the delivery area. ZIP+4 added four (4) more digits to the basic ZIP code breaking the delivery area down into city blocks, specific buildings, and even individual high-volume mailers. Mail destined to foreign countries utilizes the “zip” code system in place at the destination. The system varies from country to country.

THE USPS ZIP CODE

| FIRST DIGIT DESIGNATES 10 MAJOR GEOGRAPHIC REGIONS AS FOLLOWS: |
| “PLUS 4” ZIP CODE DIGITS FURTHER REFINE LOCAL DELIVERY AREAS INTO BLOCKS, SPECIFIC BUILDINGS, INDIVIDUAL MAILERS. |
| 0 = New England, Puerto Rico, Virgin Islands |
| 1 = Upper Middle Atlantic States |
| 2 = Lower Mid-Atlantic/Upper SE States |
| 3 = Lower SE & Gulf States East of Mississippi River |
| 4 = Midwest States East of Mississippi River |
| 5 = Upper MW States West of Mississippi River |
| 6 = Lower MW States West of Mississippi River |
| 7 = Gulf States West of Mississippi River |
| 8 = Rocky Mountain States |
| 9 = West Coast States, Alaska, Hawaii & U.S. Pacific Possessions |

| SECOND DIGIT DESIGNATES STATES WITHIN THE MAJOR GEOGRAPHIC AREAS |
| THIRD DIGIT DESIGNATES ONE OF TEN LESSER GEOGRAPHIC AREAS WITHIN A STATE |
| FOURTH & FIFTH DIGIT DESIGNATES LOCAL DELIVERY AREA WITHIN THE LESSER GEOGRAPHIC AREA SUCH AS CITY, METRO AREA, ETC. |

12345-1234
SECTION 2

DOMESTIC MAIL PROCESSING CATEGORIES AND SERVICES

All mail processed by the USPS is separated into five processing categories based on physical characteristics. All mail accepted by the USPS moves in designated service classes. All categories of mail are not eligible to use all available service classes. Some are restricted to specific classes. There are restrictions and sub-service classes within primary mail service classes. Some mail will not be handled by the USPS (prohibited mail). Some mail is considered non-standard but will be processed. Physical processing categories and their accompanying size standards are related to the capabilities and limitations of automated sorting and mail handling equipment.

MAIL PROCESSING CATEGORIES

As previously stated, the USPS separates all mail into five processing categories based on physical characteristics. They are: Letters; Flats; Machinable Parcels; Irregular Parcels; and Outside Parcels.

LETTERS are mailable pieces that are a minimum of 5" x 3½" x .007" thick. They may not exceed maximum dimensions of 11½" x 6½" x .25" thick.

FLATS are mailable pieces that are over 11½" x 6½" x .25" thick. They may not exceed maximum dimensions of 15" x 12" x .75" thick.

MACHINABLE PARCELS (REGULAR PARCELS) are parcels that can be processed by Bulk Mail Center (BMC) parcel sorting machinery. These parcels are a minimum of 6" x 3" x .25" thick and weigh a minimum of 8 ozs. They may not exceed maximum dimensions of 34" x 17" x 17" or a weight of 35 lbs. The maximum weight may vary for some items.

IRREGULAR PARCELS are parcels that cannot be processed by BMC automated parcel sorting machinery. They would include parcels not meeting the criteria for machinable parcels, rolls or tubes (up to 26" long), merchandise samples that are not individually addressed, and articles that are not letters or flats.

OUTSIDE PARCELS are parcels that because of their size, shape, density, type of container, or package contents cannot be processed in postal sacks. They would include all parcels exceeding maximum dimensions and weights for machinable parcels, high density parcels, and parcels containing liquids or hazardous materials.

All mail must meet specific, minimum size and weight standards. PROHIBITED MAIL is any mail that does not have a minimum thickness of .007". Any mail that is one-quarter of an inch (¼") or less thick, is not rectangularly shaped, and is not a minimum of 3½" high by a minimum of 5" long is prohibited from the U.S. mails. Pieces greater than one-quarter of an inch (¼") thick can be mailed even if they fail to meet the 3½" x 5" minimum dimensions.
NON-STANDARD MAIL is single pieces of first class or Standard Mail that weighs one ounce or less each and whose dimensions exceed one or more of the following limits: Length - 11½"; Height - 6¾"; Thickness - .25". There are a few other criteria for determining if a particular piece of mail is considered non-standard; however, these limits capture most such mail. Non-standard mail will be handled and processed by the USPS but a surcharge will apply.

SERVICE CLASSES AVAILABLE FOR MAILED ITEMS

EXPRESS SERVICE. This is an expedited mailing service that is available to any class of mail (First, Second, Standard, and Package). Three levels of service are offered and premium prices apply.

FIRST CLASS SERVICE. Any mailable material may be mailed in first class service. Some mailable matter may ONLY be mailed in first class service. That material includes correspondence (hand or typewritten); materials having the character of correspondence; bills and statements of accounts; any mailable matter closed to postal inspection. All first class mail is protected from postal inspection. First class mail service includes Priority Mail which is first class mail weighing more than 13 ozs.

SECOND CLASS SERVICE. This service class is only available to publishers and distributors of newspapers and periodicals. Second class mail rates are assessed according to the mailing system in effect, mail volume and other factors. This class of mail generally receives the lowest of delivery priorities.

STANDARD MAIL (formerly Third Class Mail). This mail service is generally available to any material that is not mailed or required to be mailed in first or second class service. The material must weigh less than one pound. Standard Mail includes such materials as advertising circulars, catalogs, mass identical letter mailings, merchandise and any printed matter reproduced by any process other than handwriting or typewriting. Small parcels may also be mailed in Standard Mail service.

PACKAGE SERVICE (formerly Fourth Class Mail). This mail service class applies to all mailable matter that is not mailed or required to be mailed in first or second class service AND that weighs more than one pound per piece. Package Service embraces parcel post, library, bound printed matter and media mail.

SUPPLEMENTARY SERVICES. In addition to the four primary classes of mail service, the USPS offers many supplementary services designed to meet the needs of business and general public customers. They include: insured, registered and certified mail, COD service, restricted delivery, merchandise return, special handling, mailing certificates, return receipts, address correction, mail list services and customs duty collection.

The rest of this guide is dedicated to detailed discussions of each mail service class, including international mail service. Rate information, descriptions of methods for reducing postage costs and basic requirements for using the given class are included. There will be no detailed discussion of second class mail service because it is only available to publishers and distributors of newspapers and periodicals.
SECTION 3

DOMESTIC MAIL SERVICES AND RATES BY CLASS

The summaries and charts contained in this section of the guide provide basic descriptions and samples of rates available to the various classes of domestic mail service offered by the USPS. It also includes a brief description of, and rate information on, some of the most frequently used domestic supplementary services.
FIRST CLASS MAIL SERVICE

LETTER MAIL

APPLICABILITY: All mailable matter including postcards and postal cards. Matter that MUST be mailed first class includes hand or typewritten materials and correspondence, matter having the character of correspondence, bills and statements of accounts, and matter closed against postal inspection.

RESTRICTIONS:

LETTERS: Minimum Dimensions: 5" x 3½" x .007"
Rectangular shape if less than ¼" thick
Maximum Weight: 13 ozs.

POSTCARDS: Minimum Dimensions: 3½" x 5"
Maximum Dimensions: 4¼" x 6"

FLATS: Flats are subject to varying minimum and maximum dimensions depending on automation processes and other factors. Consult your local postmaster for detailed information.

OTHER: Presorted letter and flat mailings (automated or non-automated) must contain a minimum number of pieces to qualify for discounted rates. If mail is not a standard size, a surcharge applies. Bulk mailings require special permits. Consult your local postmaster for complete information.

SPECIAL SERVICES: Registered Mail, Certified Mail, Insured Mail, Certificate of Mailing, Return Receipt, Restricted Delivery, Return Receipt for Merchandise, Collect on Delivery, Business Reply Mail and Merchandise Return.

PRIORITY MAIL

APPLICABILITY: All mailable matter, including matter that MUST be mailed first class, whose weight exceeds 13 ozs.

RESTRICTIONS: Packages may not weigh more than 70 lbs or exceed 108 inches, length and girth combined.

OTHER: The one pound rate is charged for matter sent in a flat rate envelope provided by the USPS. Parcels weighing less than 15 lbs but that measure more than 84 inches in length and girth combined are charged a minimum rate equal to the applicable rate for a 15 lb parcel.


SPECIAL SERVICES:
Registered Mail, Certified Mail, Insured Mail, Certificate of Mailing, Return Receipts, Restricted Delivery, Return Receipt for Merchandise, Collect on Delivery, Business Reply Mail and Merchandise Return.

**LETTER MAIL RATES**

<table>
<thead>
<tr>
<th>WGT. NOT OVER (OZS.)</th>
<th><strong>NOT AUTOMATED</strong></th>
<th><strong>AUTOMATED</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SINGLE PIECE</td>
<td>PRE-SORTED</td>
</tr>
<tr>
<td></td>
<td>BASIC</td>
<td>3-DIGIT SORT</td>
</tr>
<tr>
<td>1</td>
<td>$0.370</td>
<td>$0.352</td>
</tr>
<tr>
<td>2</td>
<td>$0.600</td>
<td>$0.577</td>
</tr>
<tr>
<td>3</td>
<td>$0.830</td>
<td>$0.761</td>
</tr>
<tr>
<td>4</td>
<td>$1.060</td>
<td>$0.986</td>
</tr>
<tr>
<td>5</td>
<td>$1.290</td>
<td>$1.211</td>
</tr>
<tr>
<td>6</td>
<td>$1.520</td>
<td>$1.436</td>
</tr>
<tr>
<td>7</td>
<td>$1.750</td>
<td>$1.661</td>
</tr>
<tr>
<td>8</td>
<td>$1.980</td>
<td>$1.886</td>
</tr>
<tr>
<td>9</td>
<td>$2.210</td>
<td>$2.111</td>
</tr>
<tr>
<td>10</td>
<td>$2.440</td>
<td>$2.336</td>
</tr>
<tr>
<td>11</td>
<td>$2.670</td>
<td>$2.561</td>
</tr>
<tr>
<td>12</td>
<td>$2.900</td>
<td>$2.786</td>
</tr>
<tr>
<td>13</td>
<td>$3.130</td>
<td>$3.011</td>
</tr>
<tr>
<td><strong>CARDS</strong></td>
<td>$0.230</td>
<td>$0.212</td>
</tr>
</tbody>
</table>

*WEIGHT IS NOT TO EXCEED 3.3103 OUNCES
PIECES OVER 3 OUNCES ARE SUBJECT TO ADDITIONAL STANDARDS*
# PRIORITY MAIL RATES

<table>
<thead>
<tr>
<th>WGT NOT OVER (LB)</th>
<th>LOCAL 1, 2, 3</th>
<th>ZONES</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$3.85</td>
<td>$3.85</td>
<td>$3.85</td>
<td>$3.85</td>
<td>$3.85</td>
<td>$3.85</td>
</tr>
<tr>
<td>2</td>
<td>$3.95</td>
<td>$4.55</td>
<td>$4.90</td>
<td>$5.05</td>
<td>$5.40</td>
<td>$5.75</td>
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<tr>
<td>5</td>
<td>$5.85</td>
<td>$8.00</td>
<td>$9.30</td>
<td>$9.85</td>
<td>$11.00</td>
<td>$12.15</td>
</tr>
<tr>
<td>10</td>
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<td>$13.00</td>
<td>$14.00</td>
<td>$16.30</td>
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<tr>
<td>25</td>
<td>$16.40</td>
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<td>40</td>
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<td>$34.30</td>
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<td>$48.10</td>
<td>$53.60</td>
<td>$70.75</td>
</tr>
<tr>
<td>50</td>
<td>$28.95</td>
<td>$42.15</td>
<td>$48.75</td>
<td>$59.45</td>
<td>$66.30</td>
<td>$87.95</td>
</tr>
<tr>
<td>60</td>
<td>$33.70</td>
<td>$50.00</td>
<td>$58.00</td>
<td>$70.80</td>
<td>$78.75</td>
<td>$105.10</td>
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<td>70</td>
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<td>$82.10</td>
<td>$91.20</td>
<td>$122.30</td>
</tr>
</tbody>
</table>

Excerpted from USPS rate charts. Postal rates charts provide rates in one pound increments starting at the six pound level.
STANDARD MAIL
(Formerly Third Class Mail)

**APPLICABILITY:**
Available to any mailable materials that are not mailed or required to be mailed as first or second class mail.

**RESTRICTIONS:**
Maximum weight: 16 ozs (1 lb)

**OTHER:**
Mail that does not meet the definition of letter-size or flat-size mail, or mail that is prepared as a parcel is subject to a residual shape surcharge. Standard Mail service is for bulk mailings only, so there are no single-piece Standard Mail rates. Single-piece Standard Mail pays first class or priority mail rates. Bulk mailers must procure an annual mailing permit which costs $150.00. Bulk and automation mailings are subject to minimum piece requirements, and pieces in the mailing may be subject to minimum and maximum size requirements. Non-machinable letters are subject to a surcharge. Consult your local postmaster.

**SPECIAL SERVICES:**
Insured Mail, Certificate of Mailing, Restricted Delivery, Return Receipt for Merchandise, Collect on Delivery, Merchandise Return and Special Handling.
### STANDARD MAIL RATES

<table>
<thead>
<tr>
<th>ENTRY DISCOUNT LEVEL</th>
<th>REGULAR</th>
<th>ENHANCED CARRIER ROUTE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BASIC PRE-SORT</td>
<td>3/5 PRE-SORT</td>
</tr>
<tr>
<td></td>
<td>$0.268</td>
<td>$0.248</td>
</tr>
<tr>
<td></td>
<td>$0.247</td>
<td>$0.227</td>
</tr>
<tr>
<td></td>
<td>$0.242</td>
<td>$0.222</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>CATEGORY: LETTER-SIZE WEIGHING LESS THAN 3.3087 OZS.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>$0.344</td>
<td>$0.288</td>
</tr>
<tr>
<td>DBMC</td>
<td>$0.323</td>
<td>$0.267</td>
</tr>
<tr>
<td>DSCF</td>
<td>$0.318</td>
<td>$0.262</td>
</tr>
<tr>
<td>DDU</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>CATEGORY: NONLETTER-SIZE WEIGHING LESS THAN 3.3087 OZS.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>$0.198</td>
<td>$0.142</td>
</tr>
<tr>
<td>DBMC</td>
<td>$0.198</td>
<td>$0.142</td>
</tr>
<tr>
<td>DSCF</td>
<td>$0.198</td>
<td>$0.142</td>
</tr>
<tr>
<td>DDU</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>CATEGORY: PIECES WEIGHING MORE THAN 3.3087 OZS.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Piece</td>
<td>$0.198</td>
<td>$0.142</td>
</tr>
<tr>
<td>PLUS THE FOLLOWING PER POUND RATES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>$0.708</td>
<td>$0.708</td>
</tr>
<tr>
<td>DBMC</td>
<td>$0.708</td>
<td>$0.708</td>
</tr>
<tr>
<td>DSCF</td>
<td>$0.708</td>
<td>$0.708</td>
</tr>
<tr>
<td>DDU</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
PACKAGE SERVICE

Package Service includes several different mail services. The general criteria for mail to qualify to use this service class are shown below. Each mail service within the service class will impose further requirements.

**APPLICABILITY:** Generally available to any mailable materials that are not mailed or required to be mailed as first or second class mail. There are a number of rate schedules published for USPS Package Service. They include: Parcel Post; Bound Printed Matter; Library Rates and Media Mail.

**RESTRICTIONS:**
- Maximum weight: 70 lbs (Maximum will vary)
- Maximum size: 108 united inches (length of longest side plus diameter of thickest part).

**OTHER:**
- Two or more parcels may be mailed as a single parcel if they are about the same size or shape, or, if they are parts of one article. They must be securely wrapped or fastened together and the combined parcels must not exceed maximum weight and size limits.

- Pieces in some specific rate categories may be subject to minimum dimensions. Incidental mailable matter that would normally have to be mailed as first class is permitted under restricted circumstances. Non-machinable parcels are subject to a non-standard surcharge. A bulk mailing permit must be obtained and renewed annually. The permit fee is $150.00.

- See specific service class for further information on restrictions that might apply.

**SPECIAL SERVICES:**
- Insured Mail, Certificate of Mailing, Restricted Delivery, Return Receipt for Merchandise, Collect on Delivery, Merchandise Return and Special Handling.
BOUND PRINTED MATTER

Bound printed matter consists of advertising, promotional, directory, or editorial material or any combination of these named materials. It must be securely (permanently) bound by such fastenings as staples, spiral binding, glue, stitching, etc. Looseleaf binders and similar fastenings are not considered permanent.

Qualifying bound printed matter must also consist of sheets of which at least 90% are imprinted by any process other than handwriting or typewriting. It must not have the nature of personal correspondence and may not be stationery or pads of blank printed forms.

Qualifying mailable matter must weigh at least 1 lb and cannot weigh more than 15 lbs. Two or more bound printed matter pieces may be combined and mailed at the bound printed matter rates. All bound printed matter is subject to postal inspection and must be prepared to allow such inspection. Pieces in bulk mailings need not be identical but correct postage must be affixed.

BOUND PRINTED MATTER RATES

<table>
<thead>
<tr>
<th>WEIGHT NOT OVER (LBS)</th>
<th>LOCAL</th>
<th>5</th>
<th>8</th>
<th>LOCAL</th>
<th>5</th>
<th>8</th>
<th>LOCAL</th>
<th>5</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>SINGLE PIECE RATES</td>
<td></td>
<td></td>
<td></td>
<td>REGULAR PRESORT</td>
<td></td>
<td></td>
<td>CARRIER ROUTE PRESORT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>$1.870</td>
<td>$2.040</td>
<td>$2.370</td>
<td>FLATS (PER PIECE) + PER POUND RATE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$2.080</td>
<td>$2.410</td>
<td>$3.070</td>
<td>$1.078</td>
<td>$1.078</td>
<td>$1.078</td>
<td>$0.978</td>
<td>$0.978</td>
<td>$0.978</td>
</tr>
<tr>
<td>5</td>
<td>$2.360</td>
<td>$2.910</td>
<td>$4.010</td>
<td>$0.090</td>
<td>$0.198</td>
<td>$0.419</td>
<td>$0.090</td>
<td>$0.198</td>
<td>$0.419</td>
</tr>
<tr>
<td>7</td>
<td>$2.640</td>
<td>$3.410</td>
<td>$4.950</td>
<td>PARCELS (PER PIECE) + PER POUND RATE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>$3.060</td>
<td>$4.160</td>
<td>$6.360</td>
<td>$1.155</td>
<td>$1.155</td>
<td>$1.115</td>
<td>$1.055</td>
<td>$1.055</td>
<td>$1.055</td>
</tr>
<tr>
<td>15</td>
<td>$3.760</td>
<td>$5.410</td>
<td>$8.710</td>
<td>$0.090</td>
<td>$0.198</td>
<td>$0.419</td>
<td>$0.090</td>
<td>$0.198</td>
<td>$0.419</td>
</tr>
</tbody>
</table>

Rates are excerpted from USPS rate charts. Discounts apply for barcoded mail. Actual computed rates are published in one-half pound increments up to five pounds, and one pound increments thereafter.
MEDIA MAIL

Media Mail consists of the following mailable articles and matter: Books; films in final form for viewing and catalogs of such films; printed music, bound or in sheet form; sound recordings and guides or scripts (librettos) prepared for use with such recordings (includes video recordings); computer readable media containing prerecorded information and guides or scripts for use with such media; printed educational reference charts, objective test materials, and certain medical information.

Media Mail is subject to postal inspection and must be prepared to allow for inspection. Discounted presort rates are available. Mailing must meet sacking and minimum weight requirements to qualify for the discounts. Pieces in a mailing do not have to be identical but correct postage must be affixed to each piece.

### MEDIA MAIL RATES

<table>
<thead>
<tr>
<th>WEIGHT NOT OVER (LBS)</th>
<th>SINGLE PIECE</th>
<th>5-DIGIT PRESORT</th>
<th>BMC</th>
<th>WEIGHT NOT OVER (LBS)</th>
<th>SINGLE PIECE</th>
<th>5-DIGIT</th>
<th>BMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1.42</td>
<td>$0.80</td>
<td>$1.12</td>
<td>10</td>
<td>$4.84</td>
<td>$4.22</td>
<td>$4.54</td>
</tr>
<tr>
<td>2</td>
<td>$1.84</td>
<td>$1.22</td>
<td>$1.96</td>
<td>15</td>
<td>$6.34</td>
<td>$5.72</td>
<td>$6.04</td>
</tr>
<tr>
<td>3</td>
<td>$2.26</td>
<td>$1.64</td>
<td>$1.96</td>
<td>20</td>
<td>$7.84</td>
<td>$7.22</td>
<td>$7.54</td>
</tr>
<tr>
<td>4</td>
<td>$2.68</td>
<td>$2.06</td>
<td>$2.38</td>
<td>25</td>
<td>$9.34</td>
<td>$8.72</td>
<td>$9.04</td>
</tr>
<tr>
<td>5</td>
<td>$3.10</td>
<td>$2.48</td>
<td>$2.80</td>
<td>30</td>
<td>$10.84</td>
<td>$10.22</td>
<td>$10.54</td>
</tr>
<tr>
<td>6</td>
<td>$3.52</td>
<td>$2.90</td>
<td>$3.22</td>
<td>40</td>
<td>$13.84</td>
<td>$13.22</td>
<td>$13.54</td>
</tr>
<tr>
<td>7</td>
<td>$3.94</td>
<td>$3.32</td>
<td>$3.64</td>
<td>50</td>
<td>$16.84</td>
<td>$16.22</td>
<td>$16.54</td>
</tr>
<tr>
<td>8</td>
<td>$4.24</td>
<td>$3.62</td>
<td>$3.94</td>
<td>60</td>
<td>$19.84</td>
<td>$19.22</td>
<td>$19.54</td>
</tr>
<tr>
<td>9</td>
<td>$4.54</td>
<td>$3.92</td>
<td>$4.24</td>
<td>70</td>
<td>$22.84</td>
<td>$22.22</td>
<td>$22.54</td>
</tr>
</tbody>
</table>

Rates are excerpted from USPS rate charts. Official rate charts contain rates in one-pound increments. Media Mail rates are not subject to a zone system.
PARCEL POST

Parcel Post rates are based on (1) zones, (2) whether or not a parcel is machinable, (3) whether or not a parcel is mailed and delivered within a BMC (Bulk Mail Center) or ASF (Auxiliary Service Facility) service area, and (4) parcel weight.

Surcharges can apply to non-machinable parcels. That would be any parcel that is more than 34" long, 17" wide, 17" high or that weighs more than 35 lbs. Parcels containing more than 24 ozs of liquid in glass containers; 1 gallon or more of liquid in metal or plastic containers; perishables; insecurely wrapped and metal banded parcels; books, printed matter and business forms weighing more than 25 lbs; and high density parcels (parcels weighing more than 15 lbs and exerting more than 60 lbs per square foot pressure on its smallest side) are also subject to a surcharge.

Bulk Parcel Post mailings must contain a specified minimum number of pieces and/or must meet minimum weight requirements. Each piece must be of identical weight but does not have to be of identical size or content. Non-identical weight pieces may be mailed at bulk rates but only when authorized by regional authorities serving the post office where the mailing is being sent. Standard Mail is subject to postal inspection and must be prepared to allow such inspection.

The bulk Parcel Post rate for a particular mailing is the rate that will be applicable to each piece in a bulk mailing. It is developed based on the single piece rate or BMC rate for that zone for an item equal to the average weight per piece for all parcels in the mailing.

**BULK MAIL CENTERS (BMCs)**

<table>
<thead>
<tr>
<th>BMC/ASF</th>
<th>ZIP CODE AREA SERVED</th>
<th>BMC/ASF</th>
<th>ZIP CODE AREA SERVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Puerto Rico</td>
<td>006-009</td>
<td>Minneapolis /St. Paul</td>
<td>498-499,540-564,566</td>
</tr>
<tr>
<td>Springfield, MA</td>
<td>010-069,120-129</td>
<td>Denver</td>
<td>690-693,800-816,820-822,831</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>080-084,137,169-199</td>
<td>Los Angeles</td>
<td>889-892,900-935</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>150-168,260-266,439-447</td>
<td>San Francisco</td>
<td>894-897,936-966</td>
</tr>
<tr>
<td>Washington</td>
<td>200-239,244,254,267,268</td>
<td>Alaska</td>
<td>995-999</td>
</tr>
<tr>
<td>Atlanta</td>
<td>298,300-312,317-319,350-368,373-374,</td>
<td>Hawaii</td>
<td>967-969</td>
</tr>
<tr>
<td></td>
<td>377-379,399</td>
<td>Seattle</td>
<td>835,838,970-978,980-994</td>
</tr>
<tr>
<td>Dallas</td>
<td>706,710-712,718,733,747,750-799,885</td>
<td>Buffalo</td>
<td>130-136,140-149</td>
</tr>
<tr>
<td>Greensboro</td>
<td>240-243,245-249,270-297,376</td>
<td>Oklahoma City</td>
<td>730-732,734-738,740-746,748-749</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>299,333-316,320-342,344,346-347,349</td>
<td>Sioux Falls</td>
<td>570-577</td>
</tr>
<tr>
<td></td>
<td>713,714,716,719,729</td>
<td>Billings</td>
<td>590-599,821</td>
</tr>
<tr>
<td>Chicago</td>
<td>463,464,530-535,537-539,600-611,613</td>
<td>Salt Lake City</td>
<td>832-834,836-837,840-847,893,898,979</td>
</tr>
<tr>
<td>Des Moines</td>
<td>500-516,520-528,612,680-689</td>
<td>Phoenix</td>
<td>850-860,863-864</td>
</tr>
<tr>
<td>Detroit</td>
<td>434-436,465-468,480-497</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## PARCEL POST RATES

<table>
<thead>
<tr>
<th>WEIGHT NOT OVER (LBS)</th>
<th>INTER-BMC/ASF PARCELS</th>
<th>LOCAL AND INTRA-BMC/ASF PARCEL RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MACHINABLE SINGLE PIECE</td>
<td>NON-MACHINABLE SINGLE PIECE</td>
</tr>
<tr>
<td></td>
<td>1 AND 2</td>
<td>5</td>
</tr>
<tr>
<td>ZONES →</td>
<td>1 AND 2</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>$3.85</td>
<td>$4.14</td>
</tr>
<tr>
<td>10</td>
<td>$6.28</td>
<td>$11.01</td>
</tr>
<tr>
<td>15</td>
<td>$6.92</td>
<td>$13.38</td>
</tr>
<tr>
<td>20</td>
<td>$7.46</td>
<td>$15.20</td>
</tr>
<tr>
<td>30</td>
<td>$8.35</td>
<td>$17.87</td>
</tr>
<tr>
<td>35</td>
<td>$8.74</td>
<td>$18.88</td>
</tr>
<tr>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversize</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NON-MACHINABLE PARCEL RATES APPLY FOR PARCELS WEIGHING OVER 35 POUNDS**

<table>
<thead>
<tr>
<th>WEIGHT NOT OVER (LBS)</th>
<th>LOCAL AND INTRA-BMC/ASF PARCEL RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MACHINABLE</td>
</tr>
<tr>
<td>ZONES →</td>
<td>LOCAL</td>
</tr>
<tr>
<td>2</td>
<td>$3.13</td>
</tr>
<tr>
<td>10</td>
<td>$4.66</td>
</tr>
<tr>
<td>15</td>
<td>$5.08</td>
</tr>
<tr>
<td>20</td>
<td>$5.46</td>
</tr>
<tr>
<td>30</td>
<td>$6.08</td>
</tr>
<tr>
<td>35</td>
<td>$6.35</td>
</tr>
<tr>
<td>50</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
</tr>
<tr>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Oversize</td>
<td></td>
</tr>
</tbody>
</table>

Parcels measuring more than 108" but not exceeding 130" combined length and girth pay the oversize rate regardless of weight. Parcels weighing less than 15 lbs and measuring more than 84" but not more than 108" combined length and girth pay the applicable rate for a 15 lb parcel. Numerous discounts may apply to bulk and presorted mailings. They include discounts for barcoding, BMC Presorting, and OBMC discounts. Consult your local postmaster for discount applicability and qualification requirements. Rates are excerpted from USPS rate charts. Official charts provide rates in one-pound increments.
EXPRESS MAIL

Express Mail is an expedited handling service that is available to all classes of mail. It is provided in three (3) basic service offerings: Post Office to Post Office; Post Office to Addressee; and Custom Designed.

Express Mail rates are based on the weight of the mailing matter and the type of service requested. A USPS provided envelope may be used for up to 1/2 lbs of mailable matter. The one-half pound rate will be assessed regardless of actual envelope weight.

**Express Mail Next Day and Second Day Service - Post Office to Post Office** is available between designated post offices. Mail is delivered to the origin post office and picked up from the destination post office.

**Express Mail Next Day and Second Day Service - Post Office to Addressee** is as described. Mail is delivered to the post office by the sender and is delivered directly to the addressee by the postal service.

**Express Mail Custom Designed Service** is available to volume and bulk mailers, to and from any location in the U.S. It is provided on a scheduled basis between designated facilities and locations as negotiated in the service agreement between the USPS and the mailer. Additional fees will apply for addressee delivery stops.

Drop shipment services are available for Express Mail. Express Mail drop shipments move from one domestic USPS facility to another, or to an FPO or APO addresses, and are then delivered by the receiving post office.

Mailers must check with local post offices to determine available service (next day/second day) from their origin to the desired destination, as well as cutoff times for delivery of mail to the local post office for using the services.

**SPECIAL SERVICES:** Insured Mail, Return Receipt, Restricted Delivery, Collect on Delivery (except Military Express Mail Service). Express Mail already receives special handling and delivery and is effectively certified because it is receipted mail.
## EXPRESS MAIL RATES

<table>
<thead>
<tr>
<th>WEIGHT NOT OVER (LBS)</th>
<th>CUSTOM DESIGNED</th>
<th>NEXT DAY/2ND DAY - PO TO PO</th>
<th>NEXT DAY/2ND DAY - PO TO ADDRESSEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>½ LB</td>
<td>$10.70</td>
<td>$10.40</td>
<td>$13.65</td>
</tr>
<tr>
<td>1</td>
<td>$14.90</td>
<td>$14.60</td>
<td>$17.85</td>
</tr>
<tr>
<td>2</td>
<td>$14.90</td>
<td>$14.60</td>
<td>$17.85</td>
</tr>
<tr>
<td>5</td>
<td>$24.35</td>
<td>$24.05</td>
<td>$27.30</td>
</tr>
<tr>
<td>10</td>
<td>$34.55</td>
<td>$34.25</td>
<td>$37.50</td>
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<tr>
<td>15</td>
<td>$43.15</td>
<td>$42.85</td>
<td>$46.10</td>
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<td>20</td>
<td>$50.50</td>
<td>$50.20</td>
<td>$53.45</td>
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<tr>
<td>25</td>
<td>$57.70</td>
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<td>35</td>
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</tr>
<tr>
<td>50</td>
<td>$96.80</td>
<td>$96.50</td>
<td>$99.75</td>
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<tr>
<td>55</td>
<td>$104.30</td>
<td>$104.00</td>
<td>$107.25</td>
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<td>60</td>
<td>$112.20</td>
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<td>$121.20</td>
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<td>$124.15</td>
</tr>
<tr>
<td>70</td>
<td>$130.25</td>
<td>$129.95</td>
<td>$133.20</td>
</tr>
</tbody>
</table>

*Rates are excerpted from USPS rate charts. Express Mail Rates are published in 1 lb increments.*
SUPPLEMENTARY SERVICES

The USPS offers a variety of supplemental services that are available to each mail class. The following will briefly describe primary special services and provide information on applicable fees and charges.

ADDRESS LIST SERVICES

USPS offers several address correction and list sequencing services.

Address Correction
- Manual Notice: 70¢ each
- Electronic Notice: 20¢ each

Address Sequencing
- Basic Service: 30¢ per address/card removed
- Adding New Addresses: 30¢ per insertion

Mailing List Correction: 30¢ per item, $9.00 minimum
Mailing List Sorts (5-digit): $100.00 per 1000 addresses or fraction thereof

BULK PARCEL RETURN SERVICE (BPRS)

- Annual Permit Fee: $150.00
- Annual Accounting Fee: $475.00
- Per Piece Returned Charge: $1.80

BUSINESS REPLY MAIL (BRM)

Business Reply Mail allows mailers to receive First-Class responses from customers. The mailer must pay applicable return postage by either guaranteeing same or by participating in a deposit account system with the USPS. Discounts are available for participation in an automated (barcoded) accounting system. An annual permit fee must be paid to use BRM. Fees for this service are as follows:

- Annual permit fee: $150.00
- Accounting Fee: $475.00
- Per piece fee: $0.008 to $0.60 depending on type of service/service level

CERTIFICATE OF MAILING

A certificate of mailing provides evidence of the fact that an individual piece or batch of mail was mailed. It does not provide proof of delivery nor is it insurance against loss or damage.
A certificate of mailing cannot be provided for bulk mailings using a permit imprint. Different forms are used for different types of mailings. Applicable fees are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual article</td>
<td>$0.90</td>
</tr>
<tr>
<td>Individual Article Listing</td>
<td>$0.30</td>
</tr>
<tr>
<td>Bulk Quantities</td>
<td></td>
</tr>
<tr>
<td>First 1000 (One Certificate)</td>
<td>$4.50</td>
</tr>
<tr>
<td>Additional 1000's</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

**CERTIFIED MAIL**

Certified Mail provides the sender with a mailing receipt and a delivery record at the receiving post office. Records are not maintained at the mailing post office. Insurance coverage is not included in the certified mail fee. Expedited delivery is not part of the service. Certified mail is dispatched and handled in transit as ordinary mail. Certified mail service can be combined with return receipt and restricted delivery services for additional fees. Appropriate forms must be completed. Fee for this service is $2.30 per item.

**COLLECT ON DELIVERY (COD)**

Mailers use COD services to mail an article, for which they have not been paid, to a customer. The USPS will collect the price of the article and the cost of postage from the recipient. The recipient may pay by check or with cash. USPS will collect up to $600.00 for the mailer. COD service may NOT be used for collection agency purposes, returning merchandise over which a person is dissatisfied, or sending bills or statements of indebtedness. Return receipt and restricted delivery service may be combined with COD service except for items being sent via Express Mail Services. Fees for COD service are as follows.

<table>
<thead>
<tr>
<th>AMOUNT TO BE COLLECTED OR INSURANCE COVERAGE DESIRED*</th>
<th>COD FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $50.00</td>
<td>$4.50</td>
</tr>
<tr>
<td>$50.01 to $100.00</td>
<td>$5.50</td>
</tr>
<tr>
<td>$100.01 to $200.00</td>
<td>$6.50</td>
</tr>
<tr>
<td>$200.01 to $300.00</td>
<td>$7.50</td>
</tr>
<tr>
<td>$300.01 to $400.00</td>
<td>$8.50</td>
</tr>
<tr>
<td>$400.01 to $500.00</td>
<td>$9.50</td>
</tr>
<tr>
<td>$500.01 to $600.00</td>
<td>$10.50</td>
</tr>
<tr>
<td>$601.00 to $700.00</td>
<td>$11.50</td>
</tr>
<tr>
<td>$700.01 to $800.00</td>
<td>$12.50</td>
</tr>
<tr>
<td>$800.01 to $900.00</td>
<td>$13.50</td>
</tr>
<tr>
<td>$900.01 to $1000.00</td>
<td>$14.50</td>
</tr>
<tr>
<td>Notice of Non-Delivery</td>
<td>$3.00</td>
</tr>
<tr>
<td>Designation of New Addressee</td>
<td>$3.00</td>
</tr>
<tr>
<td>Registered COD</td>
<td>$4.00</td>
</tr>
</tbody>
</table>
DELIVERY CONFIRMATION

This service allows the mailer to track mail and confirm delivery. Fees are as follows.

<table>
<thead>
<tr>
<th>Service</th>
<th>Electronic</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Class &amp; Package Service Mail</td>
<td>$0.13</td>
<td>$0.55</td>
</tr>
<tr>
<td>Priority Mail</td>
<td>$0.00</td>
<td>$0.45</td>
</tr>
</tbody>
</table>

INSURED MAIL

Insured Mail provides indemnity coverage for lost, rifled or damaged articles. Maximum coverage available is $5000.00. No record of insured mail is kept at the post office of mailing. Insured mail is dispatched and handled in transit as ordinary mail. You may not insure parcels (1) containing matter for sale that is addressed to a prospective purchaser who has not ordered or authorized the sending of the material; (2) fragile articles that cannot be carried safely in the mail; (3) articles not adequately packaged; (4) any mail not bearing the complete name and address of the sender and addressee. Each insured package must be stamped with the USPS “INSURED” stamp. The “U.S. MAIL INSURED” form must be affixed for packages insured for more than $50.00. Fees for insured mail are as follows (discounts are provided for bulk mail insurance purchases).

<table>
<thead>
<tr>
<th>LIABILITY</th>
<th>FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $50.00</td>
<td>$1.30</td>
</tr>
<tr>
<td>$50.01 to $100.00</td>
<td>$2.20</td>
</tr>
<tr>
<td>$100.01 to $200.00</td>
<td>$3.20</td>
</tr>
<tr>
<td>$200.01 to $300.00</td>
<td>$4.20</td>
</tr>
<tr>
<td>$300.01 to $400.00</td>
<td>$5.20</td>
</tr>
<tr>
<td>$400.01 to $500.00</td>
<td>$6.20</td>
</tr>
<tr>
<td>$500.01 to $600.00</td>
<td>$7.20</td>
</tr>
<tr>
<td>$600.01 to $700.00</td>
<td>$8.20</td>
</tr>
<tr>
<td>$701.00 to $800.00</td>
<td>$9.20</td>
</tr>
<tr>
<td>$801.00 to $900.00</td>
<td>$10.20</td>
</tr>
<tr>
<td>$901.00 to $1000.00</td>
<td>$11.20</td>
</tr>
<tr>
<td>$1000.01 to $5000.00</td>
<td>$11.20 plus $1.00 per hundred or fraction thereof over $1000 of desired coverage</td>
</tr>
</tbody>
</table>

Express Mail insurance is available also. There is no charge for the first $100.00 of coverage. After that a charge of $1.00 per $100 of insurance is assessed. Maximum insurance amount available is $5000.00.
**MERCHANDISE RETURN**

Merchandise Return Service allows authorized permit mailers to pay the postage and fees on single piece rate mailable merchandise being returned by their customers. Mailers can establish this service at any post office. Insured and registered mail service can be included under the permit. Fees for this service are as follows.

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Permit Fee</td>
<td>$150.00</td>
</tr>
<tr>
<td>Annual Accounting Fee</td>
<td>$475.00</td>
</tr>
</tbody>
</table>

**METERING**

Postage meters print one or more denominations of postage and display the amounts of postage used and remaining. Meters are available only by lease from authorized manufacturers. The lessor is responsible for control, operation, maintenance and meter replacement. Manufacturers are licensed by, and operate under a rental agreement, with the USPS.

Initially the manufacturer takes the meter to the USPS to have it set and sealed. This is done in the post office where the customer is located. Thereafter the customer takes the meter to be reset when postage is used up. If the customer relocates, the meter must be reintiated. Postage is purchased and paid for when the meter is set. Accounts can be established if the customer's postage expenditures exceed $500 per month. On-site meter setting and examination service is available on a regularly scheduled or as required basis. Significant fees apply for on-site service in addition to postage being purchased.

**PARCEL Airlift**

Parcel Airlift Service (PAL) is available for parcels going to or from military post offices, outside the 48 contiguous states, on a space available basis. Standard Mail and Package Service parcels are eligible for PAL service as long as the package does not exceed 30 lbs in weight or 60 united inches (length and girth combined) when mailed at or addressed to overseas military post offices outside the U.S. Fees for PAL services are in addition to regular postage and are as follows.

<table>
<thead>
<tr>
<th>Weight</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 2 lbs</td>
<td>$0.45</td>
</tr>
<tr>
<td>Over 2 but not more than 3 lbs</td>
<td>$0.85</td>
</tr>
<tr>
<td>Over 3 but not more than 4 lbs</td>
<td>$1.25</td>
</tr>
<tr>
<td>Over 4 lbs</td>
<td>$1.70</td>
</tr>
</tbody>
</table>
PERMIT IMPRINTS

Permit imprints allow mailers to send material without affixing postage to each piece. Postage is paid at time of mailing from an advance deposit account established with USPS for that purpose. Special service fees are usually paid the same way. Each mail piece must bear the permit imprint as specified in USPS regulations. Permit imprint mailings must contain a minimum of 200 pieces or weigh 50 lbs. Higher minimum quantities may apply depending on the rate level claimed. The fee for a permit imprint is $150.00. The permit fee is a one-time payment so long as the permit remains active. Bulk mail permit fees are separate from permit imprint fees.

REGISTERED MAIL

Registered Mail is the most secure mailing service offered by the USPS. It utilizes a system of receipts to monitor the mail’s movement from point of acceptance to delivery. Postal insurance coverage may be purchased for registered mail up to values of $25,000. The full value of any mailable matter that is to be registered must be declared by the mailer, and the USPS may request proof of the declared value. Values for mailable materials are as noted below.

<table>
<thead>
<tr>
<th>KIND OF MATTER</th>
<th>DECLARED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiable instruments (Payable to bearer stock certificates, etc.)</td>
<td>Market Value at time of mailing</td>
</tr>
<tr>
<td>Non-negotiable instruments (Non-registered bonds, receipts, checks, deed, wills, etc.)</td>
<td>No Value or Replacement Cost</td>
</tr>
<tr>
<td>Money</td>
<td>Actual Value</td>
</tr>
<tr>
<td>Jewelry, Gems, Precious Metals</td>
<td>Market Value or Cost</td>
</tr>
<tr>
<td>Merchandise</td>
<td>Market Value or Cost</td>
</tr>
<tr>
<td>Non-valuables (Letters, files, records)</td>
<td>No Value or Replacement Cost</td>
</tr>
</tbody>
</table>

Fees for registry service are based on the declared value of the material being sent and are in addition to required postage. The USPS has established fees for handling registered mail up to a declared value of $25,000.00. They range from $7.50 (no value) to $17.35 plus 85¢ per $1000 or fraction thereof over $10,000 (declared value of $10,000.01 to $25,000). The postal service will handle mail of higher value but does not offer insurance for any value over $25,000.

RESTRICTED DELIVERY

Restricted Delivery permits a mailer to limit delivery only to the addressee or the addressee’s authorized agent. The addressee must be specified by name. Only registered, certified, COD, and mail insured for more than $50.00 can use this service. The fee for restricted delivery service is $3.50 which applies in addition to applicable postage and other fees.
RETURN RECEIPT

Return Receipt Service permits a mailer to have a signed receipt returned showing specific delivery information. Fees for this service are as follows.

- Requested at time of mailing: $1.75
- Receipt requested after mailing: $3.25

RETURN RECEIPT FOR MERCHANDISE

This return receipt service provides the mailer with a mailing receipt, a return receipt and a delivery record of mailed merchandise. Fee for this service is $3.00.

SIGNATURE CONFIRMATION

Available for first class mail parcels, priority mail and most package services.

- Electronic Confirmation: $1.30
- Retail Confirmation: $1.80

SPECIAL HANDLING

Special handling service provides preferential treatment in dispatch and transportation to Standard Mail and Package Service parcels, but only to the extent practicable. The service may be combined with COD, insured and return receipt for merchandise services. Fees for special handling service, which apply in addition to all other applicable postage and fees, are as follows.

- Weight not more than 10 lbs: $5.95
- Weight more than 10 lbs: $8.25
SECTION 4

INTERNATIONAL MAIL SERVICES AND RATES

International mail is nothing more than another form of an import or export shipment. It requires the same kind of care, planning and attention to detail if it is to move in a timely, efficient fashion. International mailings must meet USPS regulations and requirements. Additionally, they must conform to the requirements of the destination country. Mailings and merchandise are subject to customs inspections (U.S. Customs for entering mail — destination country Customs for exported mail). Appropriate export and other documentation (as may be required) must accompany merchandise and other specified mailable matter.

The USPS has totally reorganized and expanded its international mail offerings since this guide was first printed. There are now four categories of international mail: Letter-post; Global Express Mail Service (EMS); Global Express Guaranteed (GXG); and Parcel Post.

INTERNATIONAL MAIL SERVICES

LETTER-POST SERVICE

Matter that can be mailed in this service consists of letters, letter packages, postcards, postal cards, aerogrammes, periodicals, and other printed matter. Matter mailed under this service may not weigh more than four pounds. This service equates to domestic first class mail service. It includes Global Priority Mail (GPM) service for matter weighing up to four pounds, the handling of which equates to domestic priority mail service.

PARCEL POST MAIL SERVICE

This service is for the mailing of parcels containing gifts, merchandise, etc. It equates to domestic parcel post except that incidental written communications having the nature of correspondence may not be included in the parcel. Both air and surface parcel post services are available. Parcels, as far as the U.S. is concerned may weigh up to 70 pounds. However, each destination country establishes the maximum parcel weight its postal service will accept.

GLOBAL EXPRESS MAIL (GMS)

GMS is the international counterpart of domestic Express Mail. It provides expedited, traceable handling of documents and parcels. It competes with other commercial international express services. Again, parcels, as far as the U.S. is concerned may weigh up to 70 pounds. However, each destination country establishes the maximum parcel weight its postal service will accept.
GLOBAL EXPRESS MAIL GUARANTEED

GXG is a time-definite version of GMS. It provides all of the same amenities as GMS and is subject to the same limitations.

SUPPLEMENTARY MAIL SERVICES

Special services comparable to domestic special services are available for mail and parcels destined for other countries. They include the following.

- Recorded Delivery — the equivalent of domestic certified mail — fee $2.30
- Registered Mail — similar to domestic registered mail services
- Return Receipt — provides confirmation of delivery for registered mail, insured parcels, and recorded delivery items — fee $1.75
- Restricted Delivery — a return receipt option that limits who may accept an item — fee $3.50
- Business Reply Service — similar to domestic business reply mail — fees 80¢ for cards, $1.20 for envelopes weighing up to 2 ounces — permit is required to use this service ($150.00 fee)
- Parcel Post Insurance — fees range from $1.30 to $11.60 depending on the indemnity limit selected — indemnity limits will vary by destination country

The foregoing fees are assessed by the USPS for these services when they are provided for the domestic portion of the shipment. The destination country generally will also assess a fee for the portion of the service it provides. Destination country fees vary.

BULK MAIL SERVICES

USPS offers bulk mailing programs to international mailers. The services are as follows.

- International Priority Airmail (IPA) — available to letter-post mail — applicable postage is assessed on a per piece plus per pound rate basis
- International Surface Air Lift (ISAL) — available to all types of letter-post materials with mail transported by an international carrier on a space-available basis
- Book and Sheet Music Service — limited to these materials
- Publishers’ Periodicals — available to publications approved for periodical service in the U.S. such as newspapers, magazines, and journals
Each of these programs has minimum mailing requirements. Consult local postmasters for details on eligibility and other information.

**INTERNATIONAL MAIL RATES**

Rate applicability is determined by the material being mailed, type of service, and destination country. The country group chart below is excerpted from USPS regulations. Numeric country group designations determine which rates are applicable in a given mail service category. The country list is always used in conjunction with the rate charts.

**SELECTED COUNTRY GROUP ASSIGNMENTS**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>MAIL SERVICE</th>
<th>AIR AO RATE GROUP</th>
<th>EXPRESS MAIL RATE GROUP</th>
<th>AIR PARCEL POST RATE GROUP</th>
<th>INT’L SURFACE AIRLIFT</th>
<th>INT’L PRIORITY AIRMAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARGENTINA</td>
<td>5</td>
<td>12</td>
<td>13</td>
<td>12</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>4*</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>BRAZIL</td>
<td>5</td>
<td>12</td>
<td>13</td>
<td>12</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>CAMBODIA</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>—</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>CONGO</td>
<td>5</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>CZECH REPUB.</td>
<td>5*</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>EGYPT</td>
<td>5</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>FRANCE</td>
<td>3*</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>GERMANY</td>
<td>3*</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>INDIA</td>
<td>5*</td>
<td>8</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>INDONESIA</td>
<td>5</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>ISRAEL</td>
<td>3*</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>JAPAN</td>
<td>4*</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>MEXICO</td>
<td>2*</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>PHILIPPINES</td>
<td>5*</td>
<td>8</td>
<td>9</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>RUSSIA</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>SAUDI ARABIA</td>
<td>5*</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>UGANDA</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>11</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>UKRAINE</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

* Global Priority Mail service is available to this country. This country list is excerpted from USPS regulations.
LETTER-POST MAIL

APPLICABILITY: Letter-Post Mail is roughly equivalent to domestic first class mail service. Mailable items consisting of personal handwritten or typewritten communications, correspondence, or mail having the character of correspondence MUST be mailed in this service. Letters, letter packages, aerogrammes, postcards, merchandise (unless the destination country prohibits it) or other articles that meet applicable weight and size limits are also mailed in this service. This mail receives first class mail service in the U.S. and airmail or priority service in the destination country.

RESTRICTIONS: Maximum Weight: Not over four (4) pounds
Maximum Size: Consult Postmaster

OTHER: All International Letter Mail should be endorsed/marked “AIRMAIL” or “PAR AVION”.

Postcards, Postal Cards, and Aerogrammes pay the following rates:

- Canada $0.50
- Mexico $0.50
- All Other Countries $0.70

Bulk Letter Mail service is available to Canada at discounted rates. Consult your local postmaster for information on bulk mail rates, restrictions, and criteria.

International Priority Airmail Service (IPA) is available to bulk mailers of all categories of international mail except parcel post. Postage is assessed at a per pound rate. Consult your postmaster for preparation requirements and detailed rate information.
LETTER-POST AIR MAIL RATES

<table>
<thead>
<tr>
<th>WEIGHT NOT OVER (OZS)</th>
<th>CANADA</th>
<th>MEXICO</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0.60</td>
<td>$0.60</td>
<td>$0.80</td>
<td>$0.80</td>
<td>$0.80</td>
</tr>
<tr>
<td>2</td>
<td>$0.85</td>
<td>$0.85</td>
<td>$1.60</td>
<td>$1.70</td>
<td>$1.55</td>
</tr>
<tr>
<td>3</td>
<td>$1.10</td>
<td>$1.25</td>
<td>$2.40</td>
<td>$2.60</td>
<td>$2.30</td>
</tr>
<tr>
<td>4</td>
<td>$1.35</td>
<td>$1.65</td>
<td>$3.20</td>
<td>$3.50</td>
<td>$3.05</td>
</tr>
<tr>
<td>5</td>
<td>$1.60</td>
<td>$2.05</td>
<td>$4.00</td>
<td>$4.40</td>
<td>$3.80</td>
</tr>
<tr>
<td>6</td>
<td>$1.85</td>
<td>$2.45</td>
<td>$4.80</td>
<td>$5.30</td>
<td>$4.55</td>
</tr>
<tr>
<td>7</td>
<td>$2.10</td>
<td>$2.85</td>
<td>$5.60</td>
<td>$6.20</td>
<td>$5.30</td>
</tr>
<tr>
<td>8</td>
<td>$2.35</td>
<td>$3.25</td>
<td>$6.40</td>
<td>$7.10</td>
<td>$6.05</td>
</tr>
<tr>
<td>12</td>
<td>$3.10</td>
<td>$4.00</td>
<td>$7.55</td>
<td>$8.40</td>
<td>$7.65</td>
</tr>
<tr>
<td>16</td>
<td>$3.75</td>
<td>$5.15</td>
<td>$8.70</td>
<td>$9.70</td>
<td>$9.25</td>
</tr>
<tr>
<td>20</td>
<td>$4.40</td>
<td>$6.30</td>
<td>$9.85</td>
<td>$11.00</td>
<td>$10.85</td>
</tr>
<tr>
<td>24</td>
<td>$5.05</td>
<td>$7.45</td>
<td>$11.00</td>
<td>$12.30</td>
<td>$12.45</td>
</tr>
<tr>
<td>28</td>
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Consult the Country Group Listing for Rate Groups 3 and 5. For this mail grouping, Rate Group 4 consists of Australia, Japan and New Zealand.

The USPS also offers Global Priority Mail service, subject to a 4 pound maximum weight. Flat rate envelope rates are $4.00 (small) and $7.00 (large) to Canada and Mexico, and $5.00 (small) and $9.00 (large) to all other countries. Variable weight rates are also available.
PARCEL POST MAIL SERVICE

APPLICABILITY: This is a class of mail that resembles domestic Parcel Post mail service. Merchandise is permitted but written communications having the nature of correspondence are not permitted in these mailings.

RESTRICTIONS: Maximum Weight: Varies but ranges up to 70 lbs
Maximum Size: Varies

OTHER: Consult your postmaster for complete information on weight and size limits as they will vary significantly based on destination country.

PARCEL POST SURFACE RATES

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Both the surface and air parcel post rate charts are excerpted from USPS rate charts. All weight levels are not permitted in all countries even though the USPS publishes rates for all of them. Presently, maximum weight limits most typically are 22, 33, and 44 lbs. A few countries permit packages weighing up to 66 lbs. Consult your postmaster for complete rate information and for the most current weight limits.
EXPRESS MAIL SERVICES

Global Express Mail is an expedited mail service similar to domestic Express Mail Service. Typically it offers overnight, second-day, or third-day service to a destination country (as appropriate). Delivery times will be determined by the location from which the matter is mailed, the destination country, and customs practices and processing in the receiving country. Check with your local postmaster to determine what is available from your location. Global Express Mail Guaranteed is a time-definite version of Global Express Mail. As far as the U.S. is concerned mailable matter, weighing up to 70 pounds, is eligible to use these express mail services. However, destination countries have varying maximum package weights which will control.

INTERNATIONAL EXPRESS MAIL RATES

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<tr>
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<th>EMS CANADA</th>
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<td>—</td>
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The less than one-half pound and one pound rates apply to documents only. All other rates apply to non-document mail. Rates for document mail at the heavier weights are slightly lower than rate for non-document mail. Rates in the foregoing table are excerpted from USPS rate charts.
SECTION 5
IMPROVING SERVICE AND DELIVERY
AND CUTTING POSTAGE COSTS

The USPS offers a number of ways for its customers to improve delivery and cut postage costs. As with the rate structures and services offered by other carrier and service modes, generally they are directed toward the high volume shippers. However, the postal service is beginning to offer services designed to help the smaller commercial mailer cut costs and enhance service.

Commercial mailers should always meet with appropriate USPS officials during the developmental stage of any volume mailing program or project. USPS input is critical to its success. They also should have a current, official mailing manual and a working knowledge of its contents. While this is true for domestic volume mailings, it cannot be emphasized enough when international mailings are involved.

The ultimate source for assistance with USPS mailing requirements and regulations, domestic or international, is the USPS itself. Many smaller branch post offices may not handle international mail or special domestic mailings with any degree of frequency. They may not have the expertise to advise a customer. Usually it is preferable to consult with officials at a main or primary post office in a metropolitan area. Often they have designated employees with responsibility for advising customers on these specific regulations. Very large volume mailers will be consulting at the USPS regional and national level, usually with special customer service representatives.

A brief description of some of the more frequently used cost reduction and/or service enhancing USPS offerings is provided here for your information.

COMMERCIAL MAIL PROCESSORS

Private, volume mail processing companies are available in most cities in the U.S. These companies hold all the necessary USPS permits to process bulk and other volume mailings. They can sort your mailing, affix postage, and sometimes even stuff envelopes. Fees, of course, are involved, but these commercial services offer a viable alternative to handling such mailings in-house. They are particularly useful to the infrequent or occasional volume mailer.

CONSOLIDATION SERVICES

The USPS recently launched a campaign directed to smaller businesses. These would be businesses which have a significant volume of mail but not enough to individually qualify for volume mailer discounts. Parcel Select is one of the services it now offers smaller businesses. Very simply, private consolidators pickup mailings from multiple mailers. They consolidate and sort them in a manner compatible with USPS regulations and deliver them to bulk mail processing centers. Several discount rate levels are available to shippers using Parcel Select.

ELECTRONIC SERVICES

The USPS presently offers on-line postage purchasing options (similar to manual metering), delivery confirmation service (for priority mail), and electronic merchandise return tickets. USPS
continues to make its web site more user friendly and to expand the services available on it. An
on-line version of Postal Explorer is available to calculate postage and perform other chores.
USPS also offer access to mail manuals, a number of quick service guides, and some basic help
to business mailers wanting to get started using any of its various bulk and presort discount
programs.

INTERNATIONAL PROGRAMS

The USPS offers a some discount programs in international service that are primarily addressed
to the large volume shipper. These services generally require significant minimum volumes (either
by weight or number of parcels). However those criteria change regularly. International discount
programs are not available to all countries. Consult your main or primary post office for
information on what is available. Generally branch post offices do not have personnel trained in
these programs.

METERING

Postage meters can be leased. The meter notes postage and applies the postmark, bypassing the
cancellation process at the post office. Permits must be obtained to use postage meters. Meters
may only be leased from USPS designated manufacturers and suppliers.

PERMIT MAILINGS

Permit mailings allow the mailers to use a pre-printed imprint on mail to avoid affixing actual
postage. The imprint is printed directly on the envelope, usually when return addresses are being
printed on them. Postage for the mailing is paid either at the time the whole mailing is tendered,
or, from a special account the mailer sets up for that purpose. Permit mailing is available to all
classes of mail. Usually at least 200 pieces or a 50 lb minimum weight must be met to use permit
imprints.

PLANT LOADINGS

The USPS will accept mail from a mailer’s facilities in lieu of requiring delivery to a post office.
Arrangements can be made to have trailers left at the mailer’s docks for the mailer’s employees
to load. Savings are realized by eliminating the requirement for a delivery service to pickup the
mail and transport it to the local post office. Some handling steps are eliminated as well because
smaller local post offices are eliminated from the processing chain.

PRESORTS

Presorting allows the mailer to bypass several of the mail processing steps usually performed by
the USPS. This does two things: (1) speeds up mail handling and processing; and (2) qualifies the
mailer for discounted postage rates. Presort discounts (of one kind or another) are available for
all mail classes.

Presorting separates the pieces in a bulk mailing according to USPS designated categories. The
sorting is based on ZIP Codes. The more in-depth the sort, the more processing steps bypassed,
the larger the discount. There are three and five digit sorts, ZIP+4 (carrier route) sorts, and
barcode sorts. Processing of barcoded mail is automated thereby further speeding handling and processing. Minimum quantities must be tendered in a mailing to qualify for presort rates.

Presorted mailings must be tendered in the manner specified by the USPS. Usually it must be in USPS-supplied trays or sacks. Often a minimum number of pieces must be bundled. Postage for pre-sorted mail can be paid in a number of ways to include using postage stamps, permit imprints, postage metering and use of special accounts.

ADDRESSING PRACTICES

One of the easiest ways to cut cost and improve service is the most obvious. Be sure to use a complete address (whether it is one or 1000 pieces of mail), and eliminate punctuation from the address to facilitate machine reading. Using official and commonly understood abbreviations will help also. The charts on the following pages are lists of official and commonly used addressing abbreviations.

SUMMARY

The U.S. Postal Service is undergoing a crisis of significant proportions. Its revenues are declining for a number of reasons including competition from the private sector, faxes, email, the ability of consumers and businesses to pay bills and order merchandise and services on line to name a few. Its labor costs are not declining proportionately. It can increase postage to make up shortfalls, but each increase drives more customers to competitive services.

While USPS has some competitive advantages over private sector service providers, it also has numerous handicaps. The handicap of most concern is its inability to react to competitive changes quickly by adjusting its own rates and services. USPS must go through a lengthy regulatory process to make any changes and is limited in what it can do.

Over the next few years, watch for Congressional debate on how to “reform” the USPS. It will entail legislative changes and likely will ease the way for USPS to compete in at least some parcel service classes. In the meantime, USPS will take whatever small steps it can to attract more business, increase its revenues, and shrink its workforce.
## OFFICIAL USPS STATE AND TERRITORY ABBREVIATIONS

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<td>LN</td>
<td>VILLAGE</td>
<td>VLG</td>
</tr>
<tr>
<td>MGR</td>
<td>WEST</td>
<td>W</td>
</tr>
<tr>
<td>MANUFACTURING</td>
<td>MFG</td>
<td></td>
</tr>
</tbody>
</table>
INTERNATIONAL FREIGHT SHIPPING GUIDE

OCTOBER 2002
# TABLE OF CONTENTS

SECTION 1 - BACKGROUND AND HISTORY ..................................... 2
  TRADE LAWS, AGREEMENTS AND PACTS ........................................ 2
  MAJOR TRADE LAWS .................................................................... 2
  MAJOR TRADE AGREEMENTS AND PACTS .................................... 3
  FEDERAL AGENCIES INVOLVED IN
  REGULATION AND ENFORCEMENT OF TRADE LAWS ....................... 4
  SECURITY AND THE GLOBAL LOGISTICS SUPPLY CHAIN .................. 5

SECTION 2 - SERVICE PROVIDERS ............................................. 7
  SURFACE CARRIERS .................................................................. 7
  MARITIME CARRIERS ................................................................ 7
  AIR CARRIERS ....................................................................... 7
  THIRD-PARTY SERVICE PROVIDERS ....................................... 8

SECTION 3 - IMPORTING — AN OVERVIEW .................................... 9
  ENTERING IMPORTED GOODS .................................................. 9
    CONSUMPTION ENTRY ..................................................... 10
    WAREHOUSE ENTRY ...................................................... 10
    OTHER TYPES OF ENTRY ............................................... 11
    MAIL ENTRY ..................................................................... 11
    TEMPORARY FREE IMPORTATIONS ..................................... 11
    ATA CARNET IMPORTATIONS .......................................... 11
  CUSTOMS BONDS ................................................................... 11
  COUNTRY OF ORIGIN AND OTHER MARKINGS ............................ 12
  PROCESSING OF GOODS AND ENTRY DOCUMENTS ..................... 12
  DUTY ASSESSMENT & LIQUIDATION ........................................ 13
    CLASSIFYING OR DESCRIBING THE ARTICLE .......................... 13
    CALCULATING DUTY ..................................................... 13
    DETERMINING VALUE .................................................. 13
    LIQUIDATION ..................................................................... 14
  ADVANCE DETERMINATIONS ................................................ 14
  APPEALS AND DISPUTE RESOLUTION ..................................... 14
  FOREIGN (FREE) TRADE ZONES ............................................. 14
  USER FEES ......................................................................... 15
  QUOTAS ............................................................................. 15
  DRAWBACK .......................................................................... 16
    MANUFACTURING DRAWBACK ........................................... 16
    REJECTED MERCHANDISE DRAWBACK ................................ 16
    UNUSED MERCHANDISE DRAWBACK .................................. 17
    OTHER KINDS OF DRAWBACK .......................................... 17
  DRAWBACK CLAIMS ............................................................. 17
  FINANCIAL ARRANGEMENTS ............................................... 18
  DOCUMENTATION .................................................................. 18
  GOVERNMENT PROGRAMS AND ASSISTS .................................. 18
  IMPORT CHECKLIST ................................................................ 19
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Rules of Origin</td>
<td>39</td>
</tr>
<tr>
<td>8</td>
<td>Packing, Packaging and Packaging Materials</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Overview of Packing and Packaging Requirements</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Overland/Inland Transportation</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Maritime Transportation</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Air Transportation</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Labeling and Marking</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Environmental, Recycling and other Packaging Requirements</td>
<td>43</td>
</tr>
<tr>
<td>9</td>
<td>Liability and Insurance</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Liability — Air Carriers</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Liability — Maritime Carriers</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>COGSA</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Hague-Visby and Hamburg</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Special Insurance Requirements — Maritime</td>
<td>49</td>
</tr>
<tr>
<td>10</td>
<td>Terms of Sale and Payment</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Incoterms</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>CFR (Cost and Freight - Named Destination Port)</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>CIF (Cost, Insurance and Freight - Named Destination Port)</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>CIP (Carriage and Insurance Paid To - Named Destination)</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>CPT (Carriage Paid To - Named Destination)</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>DAF (Delivered at Frontier - Named Place)</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>DDP (Delivered Duty Paid - Named Destination)</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>DDU (Delivered Duty Unpaid - Named Destination)</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>DES (Delivered Ex Ship - Named Destination Port)</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>DEQ (Delivered Ex Quay - Named Destination Port)</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>EXW (Ex Works - Named Place)</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>FAS (Free Alongside Ship - Named Port)</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>FCA (Free Carrier - Named Place)</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>FOB (Free On Board - Named Port)</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Letters of Credit</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Irrevocable LC.</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Revocable LC.</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Transferable LC.</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Sight Draft LC.</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Time Draft LC.</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>Other Payment Terms</td>
<td>54</td>
</tr>
<tr>
<td>11</td>
<td>Resources</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Forms</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Accounting Forms</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Cargo Manifests</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Certificates of Origin</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Drawback</td>
<td>56</td>
</tr>
<tr>
<td>Topic</td>
<td>Page</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>OTHER ENTRY (MISCELLANEOUS) AND DUTY-RELATED DECLARATIONS</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>EXPORT FORMS</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>FOREIGN TRADE ZONES</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>POWERS OF ATTORNEY</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>PUBLICATIONS</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>U.S. CUSTOMS SERVICE</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>OTHER GOVERNMENT PUBLICATIONS</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>WEB SITES</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>GLOSSARY</td>
<td>61</td>
<td></td>
</tr>
</tbody>
</table>
INTERNATIONAL FREIGHT SHIPPING GUIDE

INTRODUCTION

Almost all companies and industries are touched by international trade. Many are heavily involved in import/export while others are just beginning to explore the opportunities trade expansion presents to their company. The rapid growth of international commerce is expected to continue and become an even larger part of transportation, distribution and logistics.

The International Freight Shipping Guide is a useful tool for any company already engaged in international shipping or for those thinking about becoming involved. It is a multipurpose publication that brings together information from many sources and combines it into one convenient location. It includes a Resources section directing the reader to other publications and web sites for further information. It also contains samples of commonly used documentation.

The guide serves executives who are not involved in their company’s day-to-day import/export operations but who need a basic working knowledge of the system in order to manage and develop effective policy. It can be used as a training tool or quick reference source for employees involved in the import/export process. It can be used by the company that is new to import/export, or thinking about becoming involved, to help assess what they need to do, learn where to get assistance and how to get started.
SECTION 1 - BACKGROUND AND HISTORY

International trade is the buying or selling, transportation and distribution of goods, products, merchandise, raw materials and services across political boundaries. From its earliest beginnings as trading for basic needs between individuals and friendly groups, trade has evolved into a complex, formal system managed by governments.

The trade process has always been driven by the political, economic and competitive needs of each country. Resulting policy created a complex system of tariffs, duties, rules and regulations all designed to control what can be imported into and exported out of a country. All of these elements continually evolve to accommodate societal, competitive, national security and other changes that make yesterday’s undesirable import/export today’s prize.

In the 1980s, a political and corporate awakening occurred in many countries. Governments and businesses began to recognize markets for their products were finite and, in fact, were shrinking. Future growth and success depended on expanding them. The obvious solution: Cross borders more extensively than was being done. The obvious problem: The process for doing so was complex and cumbersome. At times, it was so expensive as to make it not worth the effort.

These realizations were at least partly responsible for the free trade movement. The free trade concept has produced, and is still producing, a number of large trade blocs such as the European Union and the North American Free Trade Agreement.

TRADE LAWS, AGREEMENTS AND PACTS

U.S. trade policy is directed and controlled by the White House and by laws enacted by Congress. It is also dictated by treaties and agreements in which the U.S. voluntarily participates. Some of the primary laws, treaties and agreements currently impacting U.S. trade are briefly discussed below.

MAJOR TRADE LAWS

The U.S. has had trade laws on the books since it became independent from England. Some key contemporary trade laws that have impacted U.S. international trade are as follows.

Reciprocal Trade Agreement Act of 1934. This law allowed the U.S. to enter into agreements with other countries for reciprocal tariff (duty) reductions. It also authorized U.S. participation in the General Agreement on Tariff and Trade (GATT) roundtables. The Trade Expansion Act of 1962 superceded this act but continued some of its programs.

Trade Act of 1974. This act created the Generalized System of Preferences (GSP) program. The GSP gives preferential duty treatment (reduced duty to duty-free entry) to approximately 3,000 commodities from more than 1,400 underdeveloped countries and territories. The GSP expires periodically and must be renewed by Congress.

Trade Agreement Act of 1979. This law changed countervailing duty and antidumping laws and extended the President’s authority to negotiate selected trade agreements.
Trade and Tariff Act of 1984. This law extended the President’s authority to grant trade preferences and authorized bilateral free trade agreements.

Omnibus Trade and Competitiveness Act of 1988. This law was the first comprehensive revision of trade laws since 1930. It expanded the United States’ ability to retaliate against negative actions taken by other countries and allowed fast track negotiations at the Uruguay Round GATT meetings.

Andean Trade Preference Act (ATPA). This law was enacted December 4, 1991. Most products from Bolivia, Colombia, Ecuador, and Peru are eligible for duty-free entry if they meet country of origin requirements.

Other laws and regulations that affect U.S. import/export activities include: Anti-boycott prohibitions (barring U.S. agencies or persons from refusing to do business with blacklisted firms and from boycotting friendly countries); U.S. antitrust laws; the Foreign Corrupt Practices Act (forbidding U.S. companies from bribing foreign officials for the purpose of obtaining business); laws related to the importation of foods and medicines; and laws regulating the export of hazardous wastes, pesticides, chemicals and ozone depletion substances.

MAJOR TRADE AGREEMENTS AND PACTS

The U.S. participates in a number of trade pacts. The following briefly describes some of the major agreements.

General Agreement on Tariffs and Trade (GATT). The GATT was initially negotiated in the early 1930s. The last roundtable session was in 1995 in Uruguay (the Uruguay Round) at which time the GATT was terminated and replaced by the World Trade Organization (WTO).

U.S./Canada Free Trade Agreement. This agreement took effect on January 2, 1988, and was the first formal free trade agreement for the U.S. It provided for a 10-year phase out of duty on products, goods and commodities being exported to either country that originated in those countries. It was embraced in/replaced by the North American Free Trade Agreement (NAFTA).

North American Free Trade Agreement (NAFTA). This agreement provided for a 10-year phase out of duty on products, goods and commodities being exported between the U.S., Canada and Mexico, if they originate in any of the three countries. Canadian tariff reductions continued at the pace originally agreed under the U.S./Canadian Free Trade Agreement. NAFTA was enacted on December 8, 1993.

Compact of Free Association (FAS). This program provides for duty-free entry of merchandise into the U.S. from the Marshall Islands and the Federated States of Micronesia. It became effective on October 18, 1989, and was established by Presidential Proclamation. It applies to specific products which must be grown, produced or manufactured in the named states.

Caribbean Basin Initiative (CBI). The CBI provides tariff exemptions or reductions for many products exported from 24 Caribbean and Central American countries. It also levies country of origin requirements. It became effective on January 1, 1984.
**Normal Trade Relation Status (NTR).** Most nations with which the U.S. trades have NTR status, formerly known as the Most Favored-Nation program. It is only countries such as Cuba that do not. Tariffs apply to products imported/exported between countries with NTR status. However, each country agrees they will not extend to any other nation more favorable trade preferences than those made available to the U.S.

**U.S./Israel Free Trade Agreement.** This agreement was effective September 1, 1985, and provided for a 10-year phase out of tariffs and duties for eligible products. The phase out was completed as of January 1, 1995. Country of Origin rules apply and there are some exceptions to the duty-free treatment.

**World Trade Organization (WTO).** Perhaps the most important organization in which the U.S. participates today is the WTO, which was established in 1995 and replaced the GATT. It is a permanent institution with rules that apply to trade in goods and services and trade-related aspects of international property. It also has a dispute resolution system.

The U.S. is participating in the development and negotiation of the Free Trade Agreement of the Americas (FTAA). This agreement would create one of the largest free trade groups in the world, essentially equaling the European Union trade bloc. It is expected to be in operation within two to five years depending on negotiation progress. In addition to these major pacts and agreements, the U.S. has bilateral agreements with a number of different countries.

**FEDERAL AGENCIES INVOLVED IN REGULATION AND ENFORCEMENT OF TRADE LAWS**

The primary federal agencies overseeing U.S. import/export activities and international trade are the U.S. Customs Service and selected administrations and offices within the U.S. Department of Commerce. In general, with the exception of the U.S. Customs Service, these offices are focused on providing financial assistance and other advice to companies interested in developing export programs. Approximately 20 Federal agencies are involved in some way in encouraging U.S. companies to develop export programs. They include the U.S. Department of Commerce, the Small Business Administration, the U.S. Department of Agriculture and the U.S. State Department.

The U.S. Customs Service’s primary responsibility relates to incoming or import freight. It is responsible for collecting all applicable duties on imported goods. Additionally, Customs enforces other requirements, regulations and laws related to the import of merchandise and commodities. These would include origin marking requirements, quotas, collection of special fees or charges and participation in enforcement activities as required, such as drug interdiction laws. In all, Customs enforces laws and regulations for approximately 60 federal agencies. Generally these agencies are involved in the regulation of specific products or merchandise. Organizationally, the U.S. Customs Service is under the U.S. Treasury Department at this time.
SECURITY AND THE GLOBAL LOGISTICS SUPPLY CHAIN

In current times, like it or not, all of the countries of the world are economically linked and reliant on one another to some extent. The success of the global economy is dependent on the efficient, timely delivery of goods, raw materials, merchandise and services. The U.S., and all of its trading partners, have been challenged by the events of September 11, 2001. The problem: Securing borders while maintaining the free flow of goods. It is no small task nor is it unimportant.

Most of the public is truly uninformed about the impact global trade, and its key component transportation, have on their lives. For many, their jobs are totally dependent on free-flowing international freight. It is imported raw materials and manufacturing components that keep workplaces, factories and assembly lines running. Many in support and service sector jobs tend to have little regard for the impact the local major employer has on their jobs — at least until the industry shuts down or moves elsewhere. The U.S. must balance security needs against severe economic damage.

Air cargo has already been hurt by these events. Shipper/receiver access to air cargo services is impeded by airport and terminal physical security and security restrictions imposed by law. Some of the restrictions, while well-intentioned, are totally misguided. In fact, cargo that has been most profoundly affected has simply moved to other carrier modes. The U.S. economy can accept misguided security efforts in the air cargo sector, because it does not handle the lion’s share of international cargo by any measure. Misguided security efforts in the maritime, truck and rail sectors will be devastating.

The federal government at least voices its awareness of the problem, and to date has acted cautiously. There are numerous pieces of legislation awaiting action in Congress as this publication is released. Best predictions are that major maritime security legislation will not be enacted until 2003. In the meantime, ports and harbors and government regulatory agencies are handling the situation as best they can.

The U.S. Customs Service has several initiatives underway to address security concerns. The Service is stationing its own agents in foreign countries with which it has negotiated agreements. Under this program, cargo destined for the U.S. is inspected, pre-cleared and sealed, at the foreign port of origin. This eliminates delays that would be caused if the cargo was selected for a complete inspection upon arrival. One of the first countries to sign on was Canada. Several European and Asian nations are already participating and negotiations are taking place in many more.

Customs is also recruiting volume importers into other pre-clearance types of programs. Some of these programs focus on so-called “safe” cargo, or cargo that regularly crosses the U.S. border. Customs is also certifying volume importers to engage in self-compliance programs that include security features. It is also testing various kinds of technology — everything from electronic cargo container seals that record if the seal was opened or tampered with en route, to equipment that is capable of scanning containers and whole semi-trailers.

Congress just enacted legislation that mandates the electronic transmission of cargo manifests a minimum of 24 hours before the ship, aircraft, truck or train leaves the foreign country.
Over the next two years, everyone involved in transportation and logistics will be profoundly affected by changes related to securing borders. It is imperative to stay informed and abreast of legislative and regulatory proposals in order to plan.

Watch the transportation newsletter your association provides for current information. The International Shipping Guide will be revised as needed to reflect any legislative or regulatory changes.
SECTION 2 - SERVICE PROVIDERS

SURFACE CARRIERS

Surface carriers (rail and motor) can be used for direct access to Mexico and Canada, and will also be used between countries located on other large land masses such as Europe, Africa and South America. Some U.S. surface carriers offer through or connecting service to countries all around the world. They provide the service themselves or via relationships with other domestic or foreign carriers.

Rail and motor carriers have very limited ability to collectively set rules and rates. When they do, it is through bureaus established for that purpose. Generally, they publish their rates and rules independently. Motor carriers are subject to minimal regulatory oversight — only as it relates to safety issues. Rail carriers are subject to more oversight relative to their rates and rules, but it is administered by the Surface Transportation Board (STB) with a light hand.

MARITIME CARRIERS

International maritime (oceangoing) carriers are a vital freight shipping link between countries. There are two primary types of maritime carriers — conference and non-conference. Conference carriers join with other carriers in establishing rules for transportation of cargo and in setting rates. The rate-setting conferences are generally organized around traffic lanes, e.g., trans-Pacific routes, North Atlantic routes, etc. Non-conference carriers ply the same routes, but set their rules and rates independently. Generally most maritime carriers belong to one or more conferences.

Maritime carriers can handle virtually any size or type of cargo and in almost any quantity. Access to maritime carriers is not limited by a company’s physical proximity to a port. An extensive network of surface carriers and interior (landlocked) ports of entry/export exist within the U.S. which permits access to the coastal port of one’s choosing.

Rates for maritime shipping can be confusing. There are many ocean freight conferences or bureaus setting rates. Generally, each conference consists of two or more carriers operating in the same shipping lanes. They establish uniform rates and practices. Rates are established based on a number of factors that include the physical characteristics of the shipments (weight, cubic capacity, dimensions), length of haul, and shipping volume. Usually the rates are quoted by the conference or shipping company.

In the U.S., maritime carrier activities are overseen by the Federal Maritime Commission (FMC). The FMC is focused on activities that would violate collective rate making privileges.

AIR CARRIERS

Air carriers providing international shipping services include all of the major airlines and a number of all-freight airlines. Generally air freight services are faster and more expensive than maritime services. Not all freight can use air services. There are some commodities that international carriers...
will not accept and, some hazardous materials may not be shipped by air. Some freight may also be precluded because of its size and/or weight.

Air carriers will either set their own rates, or use rates established by the International Air Transport Association (IATA). IATA also establishes regulations applicable to international air hazardous material shipping.

THIRD-PARTY SERVICE PROVIDERS

Third-party service providers include international freight brokers, forwarders, freight expediters, customs brokers, Non-Vessel Operating Common Carriers (NVOCCs) and others. They act as intermediaries between the shipper and/or receiver and their carriers, and between U.S. and/or foreign customs services and governments and the shipper and/or receiver.

They may be one-stop shops that provide all services — from picking up the freight through its delivery to the final destination. Alternatively, they may be specialists that focus on one or two particular functions, such as consolidating shipments, contracting for transportation services, or customs clearance.

Regardless of their chosen specialties, third-party service providers are invaluable to importers and exporters, particularly to those who do not ship/receive large volumes of freight. They perform a wide variety of services — everything from preparing documentation to negotiating rates to arranging customs clearance.

Customs brokers are a particularly useful third-party service provider for U.S. importers and exporters. These brokers act on their behalf in an agent capacity. In the U.S., Customs Brokers are licensed by the U.S. Customs Service and are required to be thoroughly versed in U.S. laws and regulations.
SECTION 3 - IMPORTING — AN OVERVIEW

All countries in the world have a system of laws and regulations governing products imported into their domains, and all countries impose a tax or duty on imports.

Importing is the act of bringing goods, merchandise, raw materials, products, or services from a foreign country into the United States. The importation may be made for a number of reasons. For example, the importation may be parts or components used in a manufacturing process, or it could be a finished product being imported for resale in the U.S.

Anything that enters the U.S., regardless of purpose, is subject to a complex series of laws, rules and regulations to make the importation legal. It is also subject to payment of duty (a tax or fee). These laws are enforced and duty is collected by the U.S. Customs Service.

The procedures discussed in this section of the guide generally apply to all U.S. importations. There are variations such as when free trade agreements exist. These procedures are representative guidelines as to requirements foreign countries will impose on products being imported into their domains from the U.S. They also provide the U.S. exporter with a basic outline of information to check concerning importation laws of the receiving foreign country.

ENTERING IMPORTED GOODS

Thorough advance preparation is the key to successfully importing any goods into the U.S. or any other country. Imported goods will be turned away at the door if they are not accompanied by correct and complete documentation. Resulting delays are costly and the problems associated with correcting errors and omissions are brain numbing. There are several different types of entry that can be made by the U.S. importer.

Consumption Entry is made when the goods are to be disposed of (or consumed) in the U.S. such as via sale or use in a manufacturing process with the final product sold in the U.S. Warehouse Entry is made when a delayed release of the goods from Customs is required.

In some instances, the importer may prefer to officially enter the imported goods at a location other than the port where they were landed. In this case, the goods are transported to another port of entry under bond and entered there.

Two sets of documents are required to enter goods into the U.S. One set determines if the merchandise may be released by Customs and the other determines duty levies. Regardless of the type of entry, the goods must be described in accordance with the Harmonized Tariff Schedule of the United States of America (HTSUSA) so duty can be assessed (see Section 5). Imports must be accompanied by prescribed documents. The merchandise itself must be properly marked and labeled as to country of origin.

In all cases, entry may only be made by the owner or purchaser of the goods, or by a licensed customs broker. Commercial importers, using prescribed forms, usually designate an employee or company officer as the importer for the company.
CONSUMPTION ENTRY

Importers must file documents demonstrating eligibility for entry and release within five (5) days of the shipments’ arrival, unless an extension is requested and granted. Required documents include, but are not limited to the following.

- An Entry Manifest and/or any special applications, permits or documentation that may be required
- Evidence of the right to make entry (usually a bill of lading or a Carrier’s Certificate certifying ownership of the goods)
- A commercial invoice or pro forma invoice if a commercial invoice is not available
- Packing Lists (as appropriate)
- Other documents as may be required

If the entry documents are to serve as the basis of release, the importer must also file an Entry Summary and estimated duties must be deposited with Customs within 10 working days of the goods being entered and released. A surety bond (or evidence of one being posted with Customs) must also be filed.

If the entry documents are not filed within five days (or within the extended time period), the goods are considered unentered. Customs may then place the goods in a general order warehouse at the risk and expense of the importer. After one year, they may be sold at public auction. Perishables and some other goods may be sold sooner.

WAREHOUSE ENTRY

In this instance, goods are not entered. Instead they are placed in a Customs Bonded Warehouse which is a secured facility in which dutiable goods may be stored, manipulated or undergo manufacturing operations without payment of duty. The importer of the goods and the warehouse operator are liable for duty, fees and other taxes under a bond until the goods are properly disposed of via export, destruction or they are withdrawn for consumption in the U.S. Customs Bonded Warehouses may be operated by the government or may be privately operated. They can be the importer’s own bonded warehouse or a properly structured public facility.

Goods may remain in the warehouse for up to five years from date of importation. Warehoused goods may be withdrawn for consumption at any time, subject to payment of duty at current rates. They may be exported, without payment of duty, at any time. When entered for consumption the same requirements apply as if the goods were entered when first imported. When exported, appropriate regulations governing export shipments apply.

*The key difference between warehouse entry and consumption entry is that, under warehouse entry, no duty is assessed until the goods are withdrawn for consumption.* This is particularly useful if, for example, the imported goods are purchased on speculation, but then cannot be sold. All goods are eligible for warehouse entry with the exception of perishables and explosives.
OTHER TYPES OF ENTRY

MAIL ENTRY

Goods may be entered via mail. If the value of the goods does not exceed $1,250, the parcel does not have to be cleared in person. A Customs officer prepares necessary documentation for a $5.00 processing fee, and the mail carrier collects the assessed duty and other fees. There are some articles that are subject to a $250.00 limit. Mail entries can be made by commercial importers. The practicality of mail entry depends on the type of merchandise, its value, and the frequency and quantity of importations among other things.

TEMPORARY FREE IMPORTATIONS

Merchandise that is to be repaired, altered or processed in the U.S., and then exported, (as well as some specifically named articles) can be temporarily imported without payment of duty. The goods must be under bond, usually in an amount that is double the estimated duties that will be owed. The goods must be exported within one year, but that time limit can be extended.

ATA CARNET IMPORTATIONS

Temporary, duty-free importations may also be made using an ATA Carnet (pronounced car-nay) which guarantees payment of customs duties if the goods are not exported. See the discussion about ATA Carnets in Section 6.

CUSTOMS BONDS

All commercial importers are required to post a bond or its cash equivalent with the U.S. Customs Service. The purpose of the bond is to guarantee the government that the importer will abide by all laws and regulations and pay all duties. They are submitted using Customs Form CF 301. Customs bonds are provided to the importer by surety companies. Each year the Treasury Department provides a list of approved insurance companies that may issue Federal surety bonds. The customs bond provides the following functions.

- Secures deposits of estimated duty and any additional duty
- Secures payment of duty on merchandise in bonded warehouses or merchandise improperly removed from a bonded warehouse
- Secures promises to make entry and/or to produce any required evidence
- Secures promises to bring conditionally released goods into compliance with entry requirements, redeliver conditionally released merchandise, or to hold conditionally released merchandise intact for examination
- Secures promises to pay compensation of Customs officers and exonerates Customs officers
- Secures promises to use merchandise entered free, or at a reduced rate, in the manner entitled and to furnish proof of that use

Importers may procure two kinds of customs bonds — single transaction bonds and continuous bonds. Single transaction bonds, as the name implies, cover a single importation. Continuous bonds are effective for a year and cover multiple entries. They are renewed annually in an amount equal to 10% of the previous year’s total duties paid, but may not be for less than $50,000.

It is important to note that Customs Bonds provide no protection whatsoever to the importer. They protect the U.S. government only and are solely designed to guarantee or secure the indebtedness of the importer to the government.

COUNTRY OF ORIGIN AND OTHER MARKINGS

All imported goods and articles must be clearly marked with the English name of the country of origin. If the article or container is not marked, a marking duty equal to 10% of the Customs value of the article is assessed. The penalty will be waived if the article is exported, destroyed or properly marked under Customs supervision before liquidation of the entry.

A country of origin marking is not required on some articles which are named in Customs regulations. It is recognized that it is not possible to place permanent, indelible, legible markings on some articles. The country of origin mark, in these cases, is considered in compliance if it will stay on the article or its container until it reaches the ultimate purchaser or consumer.

Other government agencies may require special markings on specific articles, products and commodities. Those agencies’ regulations should be consulted to determine compliance. Still others are subject to special country of origin markings, such as watches and clock movements, knives, scissors, scientific and laboratory instruments. Appropriate regulations must be consulted to assure compliance.

PROCESSING OF GOODS AND ENTRY DOCUMENTS

Customs has the obligation and right to examine all goods and entry documents to determine eligibility for entry and for the purpose of assessing duty. Customs will also check to determine if the shipment contains any prohibited articles, and to determine if country of origin markings are required. It will also determine if correct quantities and values have been declared.

If, in the course of this examination, Customs discovers the goods have been damaged so as to be without commercial value, they will be treated as non-importations and the shipment is not assessed duty. If only part of the shipment is damaged, the importer must segregate the damaged portion from the importable portion, under Customs supervision. Duty assessments are adjusted once the shipment is segregated.
Importers have a duty to have goods packed in a manner that allows Customs to examine and release the goods promptly. Different types of goods may be co-mingled in the same containers but this must be done carefully. If the goods are co-mingled in such a manner as to make it difficult for Customs to ascertain quantity and weights, without segregating the shipment, everything will be assessed at the highest classified item in the container.

**DUTY ASSESSMENT & LIQUIDATION**

Duty is a tax that is levied on all importable goods entering the U.S. The U.S. Customs Service determines applicable duty, at time of entry, based on its examination of the goods and appraisal of value (appraisement). Duty rates are established by Congress and/or Presidential Proclamation and are published in the HTSUSA.

**CLASSIFYING OR DESCRIBING THE ARTICLE**

An article’s classification or official description is critical in determining its applicable duty. The classifications used by the United States are found in the HTSUSA. The classification of the goods is provided by the commercial importer when entry is filed, along with its value and other pertinent information such as quantities, weights, etc.

**CALCULATING DUTY**

Duty rates are listed in HTSUSA including those applicable under free trade and other special trade agreements. Duty is calculated using one of three methods: ad valorem, specific or compound. Ad valorem is the most commonly applied rate and is a percentage of the goods’ value. Specific rates are amounts specified per unit, weight or other quantity or measurement. A compound rate is a combination of the two.

In some instances, antidumping and/or countervailing duties may be owed on imported goods. Antidumping duty is assessed on any merchandise sold to U.S. purchasers at prices below fair market value. Countervailing duties are assessed on any imported goods that are subsidized by foreign governments. The Department of Commerce investigates allegations of dumping and subsidies. The International Trade Commission determines if injury has occurred or is likely to occur. Once the determinations are made and the rates established, Customs enforces the assessments.

**DETERMINING VALUE**

Value is generally the transaction value of the goods being imported. Transaction value is generally the price actually paid or payable for the goods, when sold to the importer, plus packing costs, selling commissions, royalties or license fees paid as a condition of sale, and proceeds from subsequent resale, disposal or use.
If, for some reason, transaction value cannot be used, then Customs attempts to determine the value using prescribed alternatives. These are, in order of precedence, the value of identical goods, the value of similar merchandise, deductive value or computed value.

LIQUIDATION

Once all the preceding determinations are made, liquidation occurs. Liquidation is the point when Customs’ determination of the duty rate and the amount owed becomes final. A public posting is made, and upon payment of duty (or posting of appropriate bond, camet, etc.) the goods may be removed from Customs’ possession.

ADVANCE DETERMINATIONS

An importer may request an advance determination of applicable duty rates and appropriate classifications for any goods it plans to import. Typically, the importer makes the request of the Customs district director where the merchandise will be entered. Alternatively, the request can be made of regional directors or the Customs Service in Washington, DC.

The rulings are binding at all ports of entry unless overturned by Customs’ Office of Regulations and Rulings. An appeal process is available if the importer should disagree with Customs’ findings. Customs regulations contain complete instructions for making these requests. Many importers use advance rulings to facilitate entry of goods when it is the first time they are to be imported by that particular importer.

APPEALS AND DISPUTE RESOLUTION

Appeals processes are in place for protesting Customs’ assessments and other decisions. Time limits apply and they vary according to the type of activity. Importers should be familiar with the regulations on protests, and/or use a third-party, such as a customs broker, to handle these actions. Sometimes Customs will provide advance notice of liquidation. However, the advance notice form does not trigger time limits for protesting determinations, etc.

FOREIGN (FREE) TRADE ZONES

Foreign Trade Zones (FTZs) are secured areas, located within the U.S., that are considered outside of U.S. Customs’ territory. Any goods legally importable into the U.S. may be imported directly into an FTZ. Goods brought into the FTZ may be transferred into customs territory and entered into the U.S. at a later date or they can be exported. Goods of domestic origin may also be brought into FTZs.

While in the FTZ, the imported merchandise (and domestic goods) can be stored, sold, exhibited, repackaged, assembled, distributed, sorted, graded, manipulated or manufactured or destroyed without being subject to U.S. Customs entry laws. There are some limits on manufacturing. For example, products subject to Internal Revenue Service taxes may not be manufactured in the FTZ.
These would be items such as distilled spirits, some perfumes, tobacco products, firearms, and clock and watch movements. Retail sale and trade of imported goods is not permitted within the FTZ.

Duty on imports brought into the FTZ is deferred until the goods are entered into the U.S. If they are exported, no duty is assessed. Goods may remain in the FTZ virtually forever which is the primary difference between FTZs and Customs Bonded Warehouses. Goods in Customs Bonded Warehouses must be entered, exported or destroyed within five years.

Primary FTZs are located within specific mile and time limits of Customs ports of entry. Sub-zones may be located at an importer’s plant or other premises and are not subject to mile and time access limits to ports of entry. Any qualified public or private entity may sponsor an FTZ. They may operate the zone themselves or contract with another party to handle day-to-day operations.

FTZs may consist of entire industrial parks or individual buildings and facilities. Some cities and/or counties create FTZs to attract new jobs and development to their locales. FTZs and the rates charged by zone grantees are regulated by the Foreign Trade Zone Board. U.S. Customs must approve activation of FTZs.

FTZs offer U.S. manufacturers a way to finish a manufacturing process without paying duty on imported components or parts. It also offers a way to warehouse imported merchandise, making it readily available to U.S. customers/clients without shipping delays. The merchandise is already landed and is formally entered when ordered by the customer. The same is true for exporters from foreign countries, who can land merchandise in an FTZ to facilitate serving their U.S. customers. Quota goods are often stored in FTZs when an entry quota is filled. They wait there for an opening that allows entry.

**USER FEES**

Customs, like most other government agencies, may assess user fees for many of its services. Currently it assesses a merchandise processing fee for formal entries of a minimum of $21.00 and a maximum of $400.00 per entry. The fee for informal entries (those valued under $1250.00) is $2.00 for automated entries, $5.00 for manual entries not prepared by Customs and $8.00 for manual entries prepared by Customs. These fees are usually adjusted annually.

**QUOTAS**

The U.S. levies selective import quotas which are usually temporary. Tariff rate quotas allow entry of specific quantities at reduced rates of duty for a specific period. There is no limitation on the amount of product that can be entered, but quantities in excess of quota limits pay higher/usual duty rates.

Absolute quotas prescribe a specific quantity of a product that can be entered and once that limit is met, no more entries may be made. However, importations exceeding the limit can be entered as warehouse entries or placed in FTZs, and held until they can be released. Presently, some food products and textile articles are subject to import quotas.
DRAWBACK

Drawback is the recovery of duty paid on imported goods, because they were exported, destroyed or otherwise disposed of, prior to being used in the U.S. Up to 99% of duty paid can be recovered under drawback programs.

Drawback was first formally permitted in the U.S. by a law passed July 4, 1789. The concept of drawback is used by most countries and is designed to encourage export of goods. Drawback most commonly was used to recover duties paid on goods used to manufacture or produce an article for export from the U.S. Its use was expanded by subsequent laws such as the Tariff Act of 1930, expanded again in 1980, and further revised by the NAFTA in 1993.

MANUFACTURING DRAWBACK

Manufacturing Drawback is available to importers when the imported goods are used to manufacture an article which is exported or destroyed within five years of import. Manufacture or production, for drawback purposes, is defined as a process by which merchandise is made into new and different articles having a distinctive name, character or use. It also includes merchandise made fit for a particular use. There are two kinds of manufacturing drawback: Direct Identification and Substitution Manufacturing Drawback.

Direct Identification Drawback is available when the imported merchandise is used in the manufacturing process or is destroyed.

Substitution Manufacturing Drawback is available when substituted merchandise is used in the manufacturing process and the final article is exported or destroyed. In some instances, other imported or domestic merchandise, of the same kind or quality, can be substituted in the manufacturing process. Substitution goods means the imported merchandise and the substituted merchandise must be capable of being used interchangeably. No substantial change in the process is allowed.

Destruction of any articles qualifying for drawback must be done under Customs supervision.

REJECTED MERCHANDISE DRAWBACK

Rejected Merchandise Drawback is available when imported goods or merchandise do not conform to samples or specifications, is shipped without consent, or is determined to be defective at the time of import. Rejected merchandise must be returned to Customs custody within three years of importation and must be exported or destroyed. Again, destruction must be accomplished under Customs supervision. The importer must notify Customs at least five working days before the intended return to Customs custody. Customs will notify the importer within two days of receiving the notice if it will examine the merchandise or waive examination.
UNUSED MERCHANDISE DRAWBACK

Unused Merchandise Drawback is available when imported merchandise is exported or destroyed within three years of import, without being used in the U.S. The importer may substitute domestic or other merchandise which is commercially interchangeable with the actual imported merchandise. Substituted merchandise does not have to be commercially identical — only commercially interchangeable.

Merchandise is considered unused in the U.S. if any operation or combination of operations have been performed on it but those operations are not manufacture or production for drawback purposes. Obviously there can be a fine line between Manufacturing Drawback and Unused Merchandise Drawback. The eligible goods or merchandise may not claim drawback under both scenarios, however.

OTHER KINDS OF DRAWBACK

The foregoing types of drawback are the most commonly known and used. There are other kinds of merchandise drawback available. There are a number specific drawbacks for named products or goods such as petroleum derivatives. There are also drawbacks that include the recovery of internal revenue taxes for goods such as flavoring extracts, medicinal and toilet preparations, wine and distilled spirits; and, drawbacks on merchandise transferred to a Foreign Trade Zone for the sole purpose of exportation, storage or destruction.

DRAWBACK CLAIMS

Generally, drawback claims must be made within three years after date of exportation. The claim must be complete, and if it is not, it is considered abandoned and drawback will not be available. A complete drawback claim is defined as a correctly completed drawback entry on form CF 7551. The claim usually must be accompanied by one or more of the following documents/data.

- Certificates of manufacture and/or delivery on form CF 7552
- Applicable Notices of Intent to Export, Destroy or Return Merchandise for Purposes of Drawback on Customs form CF 7553
- Applicable import entry numbers
- Coding sheet unless data is filed electronically
- Evidence of exportation or destruction

Records to substantiate drawback claims must be retained for at least three years after payment of the claim by Customs. Among the records that must be kept to participate in the drawback process are.

- Customs import documents
- Delivery Receipts
- Purchase Orders, Contracts, Invoices, Packing Lists, Confirmation Notices
- Bills of lading and Delivery Records
- Inventory Records
- Bills of Material, formulas, scrap and waste records
- Job and Work Orders, inventory picks
- Records of Inventory Identification Methods
- Certifications, sales contracts, lab reports, etc., concerning grade, specifications, contents of substituted merchandise
- Purchase orders, contracts, specification information and other documents to verify merchandise was not in conformance with specifications, shipped without consent, or defective
- All applicable certificates of delivery

While drawback can be complex, importers routinely importing goods for manufacturing processes find it extremely useful and valuable. It should not be overlooked when setting up import/export programs, particularly when they involve parts and components used in manufacturing and production operations. Like most complex tasks, once a procedure is established, the recovery process becomes part of the operational routine. There are third-party services that will assist with drawback.

**FINANCIAL ARRANGEMENTS**

A key concern in any import/export transaction is compensation for goods and for other fees and charges as agreed in the purchasing negotiations. There are a number of vehicles available for receiving payment in international trade. Payment options and methods are discussed in Section 10.

**DOCUMENTATION**

Documentation is perhaps the most critical element in assuring a smooth import operation. Documentation is discussed in Section 6.

**GOVERNMENT PROGRAMS AND ASSISTS**

The federal government has no programs and assistance services in place that are designed to encourage importing. Its interest is in encouraging exporting. The government does provide free assistance to importers in determining how to comply with importing levied by Customs and other federal regulations and statutes. That assistance is mostly in the form of providing answers to specific questions and providing general information via telephone help lines and web sites. Customs would be the first source of information for importers.
IMPORT CHECKLIST

The following page contains a basic checklist for determining if you have touched all the bases when preparing a shipment for import. The checklist is not all inclusive but is a more than adequate starting point for building a customized, personalized checklist for individual company needs.
IMPORT CHECKLIST

Overall Company Program —

☐ Do you have copies of the U.S. tariff schedules applicable to your merchandise, informed compliance publications, advanced rulings and decisions available to support the classifications you assigned to the merchandise?

☐ Have you verified that your merchandise/products does not need special testing or analysis, and that they are not subject to special import regulations as may be levied by other federal agencies such as the FDA, EPA, etc.?

☐ Have you had an independent, qualified expert or a qualified individual within the company review your findings and procedures?

☐ Have you established internal operating procedures that assure uniform processing, description and classification of imported merchandise?

For Each Shipment —

☐ If you have obtained an advanced classification/tariff rate determination, have you complied with its directions and instructions?

☐ If you do not have an advanced determination, have you thoroughly checked the HTS to assure you have chosen the correct classification?

☐ Have you provided a complete and correct description of the merchandise?

☐ Have you and/or your foreign supplier correctly and completely prepared all required shipping documents?

☐ Bill of Lading, Air or Ocean Waybill

☐ Commercial Invoice

☐ Letter of/Delivery Instructions

☐ Packing Lists

☐ Powers of Attorney

☐ Pro Forma Invoices

☐ Foreign Country Export Declarations

☐ Special Documents That May Be Required (Special permits, Destination Control Statements, Export License, Consular Invoices & Declarations, Bonds, Origin Certificates, Inspection & Manufacture Certificates)

☐ If a third-party broker or service is being used, has that party been provided the complete information it needs to do its job and has that fact been documented?

REMEMBER — Your company remains liable, under the law, for its program’s compliance with all applicable laws and regulations and cannot avoid that liability via use of third-party services.
SECTION 4 - EXPORTING — AN OVERVIEW

Exporters must supply the documents and data needed to assure a successful transaction. Success is totally dependent on thorough advance preparation.

Exporting is the act of sending goods, merchandise, raw materials, products or services from the U.S. to a foreign country. Exporting is the way manufacturers, merchandisers and others expand their customer base.

Exports can be goods completely manufactured or developed in the U.S. or they may be goods assembled in the U.S. from components imported from other countries. In some cases, the exporter may be shipping to its own facility which is located on foreign soil.

Exporters must supply certain documents and data to enable a smooth departure from the U.S. and a smooth entry at the destination country. A primary business concern is financial arrangements — how will the exporter be paid and when, currency exchange rates and a host of other issues. As with importing, exporting success is totally dependent on thorough advance preparation.

LICENSES

Generally, all items exported from the U.S. must have an export license. There are some exceptions such as exports to Canada. There are two types of licenses, General and Individually Validated Licenses (IVLs).

A General License (GL) is a broad grant of authority to export certain categories of products. General license authorization is included in the Export Administration Regulations (EAR). The regulations must be reviewed to determine if a general license will apply and to determine that an IVL is not needed. If the general authority applies, the exporter need not submit an application for a license. The U.S. government estimates that 98% of all exported goods are covered by the general license authority found in the Export Administration Regulations.

An Individually Validated License (IVL) is a specific grant of authority issued to a named exporter or, issued to export a specific product to a specific destination. Application must be made for these licenses. They are granted, on a case-by-case basis, for single transactions or for multiple transactions occurring within a specific time period.

Sometimes a special, separate license may be required to export some products or to export to a particular destination. Current regulations and export administration officials need to be consulted to make that determination. The exporter must make the determination as to if and which type of license is required for its export activities.

EXPORT CONTROL COMMODITY NUMBER (ECCN)

In addition to any appropriate licenses, an Export Control Commodity Number (ECCN) must also be obtained. The ECCN is a 5-digit number that looks like this: 4D001. The first digit identifies the general categories within which the entry falls, e.g., Electronics, Computers, Nuclear Materials, etc.
In this example, “4” means “Computers.” The second digit expands on that description. In this example “D” means “Software.” The third digit in this example, “0” means “National Security Reasons.” The remaining digits further differentiate the reasons for control of this particular export.

Next, the exporter must determine if there are any prohibitions for the goods in the destination country. If there is a prohibition, a License Exception may be available. If there is no exception, then application must be made for an IVL.

Generally, all of this information is available in the export regulations. If there is any question or uncertainty, counseling and advice in making this determination is available from the U.S. Department of Commerce.

**SCHEDULE B NUMBERS**

All materials, goods, commodities, and products being exported from the U.S. must be classified and assigned a Schedule B Number. No export leaves without it. See Section 5 for more information on Schedule B numbers.

**TARIFF RATES**

Tariff or duty rates applicable to exports from the U.S. are established by the destination or importing country and will vary from country to country. The federal government offers several ways to access tariff information on some of our country’s major trade partners. First, they provide publications that list offices, telephone numbers and other contact information for authorities in that country, and/or for consul offices in the U.S. where the information can be obtained. Second, some tariff rate information is available from some U.S. government web sites (see Section 11).

**COMPLIANCE WITH LAWS AND REGULATIONS**

Exporters must also comply with a number of other U.S. laws. For example, documentation must contain an anti-diversion clause, designed to assure that the shipment goes to the port/destination for which it is intended and that it is not diverted to another country. Exporters are also subject to anti-boycott regulations, U.S. antitrust laws, the Foreign Corrupt Practices Act, and Food and Drug Administration (FDA) and Environmental Protection Agency (EPA) restrictions.

Exporters must be familiar with the import regulations of the destination country. Customs and import regulations vary for each country so they cannot be practically discussed in this publication. However, U.S. import regulations provide significant insight into what might be expected in the way of entry regulations into foreign countries. The exporter must be aware of, and in compliance with, any special laws the destination country may have. These would include, but are not limited to, such items as submission of health certifications or bans on the uses of some type of packing materials.

All countries assess some kind of duty and in some cases the tariffs can be prohibitive. It always pays to do thorough research on the laws, regulations and duty levels for the destination country. In many
cases, the foreign customer can be a good source of information. As a practical matter, most exporters rely on third party services to handle clearance of shipments into a foreign country.

FINANCIAL ARRANGEMENTS

A key concern for exporters is payment for goods it supplies and for other fees and charges as agreed in the purchasing negotiations. There are a number of vehicles available for receiving payment in international trade. Payment options and methods are thoroughly discussed in Section 10 of this guide.

DOCUMENTATION AND RECORD RETENTION

As with importing, documentation is perhaps the most critical element in assuring a smooth export operation. Record retention requirements for export documents vary depending on the situation. Generally, shipping documents should be retained at least five years, longer if drawback or other activities are involved. Documentation is discussed in detail in Section 6.

GOVERNMENT PROGRAMS

Generally, all governments are interested in supporting, encouraging and enhancing export programs. They feel exporting is healthy for their respective economies and creates jobs. The U.S. is no exception. The federal government and many state and local governments offer a number of programs and assists to exporters. The assistance ranges from loans to finance exports, to help in finding markets for the exporter’s products.

This philosophy has been a cornerstone of U.S. government since the United States was founded. Some of the earliest laws on the books are to encourage foreign trade. In fact, the Constitution of the United States contains a specific provision that forbids the imposition of any kind of tax on exports. Article I, Section 9, provides that “No Tax or Duty shall be laid on Articles exported from any State.” This provision, and the fact that it has survived this long, indicates the importance and value the U.S. government places on international trade.

Recently, the U.S. government attempted to impose a Harbor Maintenance Fee on all import and export shipments. The purpose was to raise funds for harbor maintenance and dredging. After a series of lower court opinions, appealed by exporters and the U.S. Customs Service, the issue came before the U.S. Supreme Court. That court ruled the so-called fee was actually a tax and that it violated the constitutional prohibition against taxing exports. The Customs Service, which collected the tax, was ordered to refund it. The refund process is still underway.

Some of the programs the U.S. government uses to encourage exporting are briefly discussed below.

Export-Import Bank of the United States (ExIm Bank). The ExIm Bank is charged with the mission of creating U.S. jobs by enhancing exports of U.S. products. It offers several programs to accomplish the mission.
**Working Capital Guarantees** can be obtained by small and medium-sized companies to cover up to 90% of the principal and interest on commercial loans used to buy or produce exports.

**Export Credit Insurance** policies are offered to protect against buyers’ defaulting on payment for exports whether the default is caused by political or commercial risks. Both long-term and short-term policies are offered. The policies offered include letters of credit, financial institution, single buyer and umbrella policies.

**Loan Guarantees** are offered to foreign buyers of U.S. goods or services. Both medium-term and long-term coverage is available based on the type of goods involved.

**Direct Loans** are offered to provide foreign buyers fixed-rate financing for purchases from U.S. exporters.

ExIm Bank’s services and programs are available to large and small exporters. There is usually no minimum or maximum loan/loan guarantee amount. It has regional branches throughout the U.S. Additionally ExIm Bank works with state and local governments in providing aid to local businesses wishing to export.

**U.S. Treasury Department.** The U.S. Treasury Department has customs information, including tariffs and taxes, for many countries. The data is available electronically and by telephone (see Section 11).

**U.S. Department of Commerce.** Commerce has multiple offices available to provide a variety of export information and assistance. It includes tariff rate information for foreign countries, the National Trade Data Bank, Commercial Service International Contacts List, the Trade Opportunities Program, the Economic Bulletin Board, Foreign Traders Index, matchmaker programs, and trade shows — all designed to assist and promote exports (see Section 11).

**Small Business Administration.** The SBA offers export finance assistance in the form of direct, working capital and loan guarantee programs.

Many other government agencies offer assistance in one form or another. Information on most of the programs is available from the special web site run by the federal government. Section 11 of this guide provides information on this and other web sites.

**EXPORT CHECKLIST**

A basic checklist for determining if you have touched all the bases when preparing a shipment for export will be found on the following page. The checklist is not all inclusive, but is a more than adequate starting point for building a customized, personalized checklist for individual company needs.
EXPORT CHECKLIST

Overall Company Program —

☐ Do you have copies of the tariffs, Schedule B numbers, informed compliance publications, advanced determinations, and other publications and regulations applicable to your merchandise?

☐ Have you obtained information on export licensing and control number requirements for your merchandise?

☐ Have you verified that your merchandise/products does not need special testing or analysis, and that it is not subject to special import/export regulations as may be levied by other federal agencies such as the FDA, EPA, or the destination country etc.?

☐ Have you had an independent, qualified expert or a qualified individual within the company review your findings and procedures?

☐ Have you established internal operating procedures to assure uniform processing, description and classification of company merchandise?

For Each Shipment —

☐ If you have obtained an advanced classification/tariff rate determination, have you complied with its directions and instructions?

☐ Have you provided a complete and correct description, the correct tariff classification, and supplied the correct Schedule B number for the merchandise?

☐ Have you correctly and completely prepared all required shipping documents?

☐ Bill of Lading, Air or Ocean Waybill
☐ Commercial Invoice
☐ Letter of/Delivery Instructions
☐ Packing Lists
☐ Powers of Attorney
☐ Pro Forma Invoices
☐ Shipper’s Export Declarations
☐ Special Documents That May Be Required
(Special permits, Destination Control Statements, Export License, Consular Invoices & Declarations, Customs Bond, Origin Certificates, Inspection & Manufacture Certificates)

☐ If you have chosen to outsource much of the preparation work to a third-party broker or service, have you provided that party the complete information it needs to do its job and have you documented that fact?

REMEMBER — Your company remains liable, under the law, for its program’s compliance with all applicable laws and regulations and cannot avoid that liability via use of third-party services.
SECTION 5 - TARIFF AND STATISTICAL INFORMATION COMPLIANCE

All imports to and exports from the U.S. must be classified and reported in compliance with applicable laws and regulations. The U.S. participates in an international, harmonized commodity description scheme which is applied to both imports and exports. Imports are described and classified using the Harmonized Tariff Schedule of the United States (HTSUSA or HTS) while exports are described and categorized using Schedule B numbers.

HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES
(HTSUSA or HTS)

The HTS, the U.S. edition of the international, harmonized description scheme, took effect on January 1, 1989, and has undergone regular revision and updating since then. The HTS is divided into 99 specific chapters, each applying to specific groups of commodities. It also contains all current duty rate information for each commodity. Additionally, the HTS contains almost 300 pages of rules of interpretation, instructions on how to determine country of origin qualifications, information on various special duty treatments afforded U.S. imports, and information on compliance with various treaties and agreements to which the U.S. is a party.

For purposes of the HTS, the customs territory of the United States includes the states, the District of Columbia and Puerto Rico. Insular possessions are considered foreign countries; however, imports from insular possessions are generally exempt from duty.

DETERMINING CLASSIFICATIONS

All importers are charged with determining the correct description or classification for the product, commodity, or raw material they wish to enter. Assistance is available should the importer not be able to do so on its own.

Classification is determined by using the headings supplied in the HTS. Generally —

- The heading description will also apply to the named article if it is incomplete or unfinished
- The heading description will also apply to mixtures or combinations of substances
- In the case of mixtures or combinations, the heading that provides the most specific description is used to classify the import

The harmonized system assigns a unique numeric identifier to each commodity group and subgroup. The HTS number consists of the international, mandated six-digit heading and subheading number that is used by all participating countries. Countries may add additional digits for their internal use, such as for purposes of gathering statistics or for identifying a commodity more specifically.

The U.S. opted to use a 11-digit numbering system. The first six digits are the mandated international number. The next two are used to further break out the tariff description. The next two (digits 9 and 10) are used for statistical reporting purposes. The last number (digit 11) is a check digit. For all
Intents and purposes, just showing the first six digits of this number communicates to all other participating countries exactly what the commodity is. However, all digits must be shown for U.S. purposes.

**DETERMINING APPLICABLE DUTY**

The HTS contains all duty rates for imports into the U.S. For purposes of discussion, the U.S. assesses three different levels of duty that are described as follows: General, Special, and an unnamed category that can be called punitive.

General duty levels apply to all imports that are not eligible for special duty treatment. Special duty levels are applied to imports from named countries that are eligible for reduced duties or free entry because of special treaties (such as the North American Free Trade Agreement) or because they are considered underdeveloped nations. The HTS contains complete instructions for every agreement or proclamation that affords special or preferential duty treatment. It lays out the rules for complying in order to qualify for the duty reductions.

The punitive duty level is applied to Cuba, Laos and North Korea at the present time and can be as high as 100% of the value of the import.

Duty levels will change from time to time due to new legislation enacted by Congress and signed into law by the President, presidential proclamations, and for other reasons. Those changes will be incorporated into the HTS.

Duty is assessed in one of three ways: as a percentage of the value of the import (ad valorem); as a specific tax applied per piece or unit, square footage, weight, quantity, or other measurement criteria (specific); or it may be assessed on a combination of value and one or more specific factors (compound). Most typically, duty is assessed on an ad valorem basis. For purposes of estimating duty, generally the value of the import is the purchase price plus other specified cost elements. See Section 3 for more information on duty assessment.

Often goods and merchandise, subject to different duty levels, are mixed in the same shipping container or co-mingled. When this is the case, Customs will attempt to determine the applicable duty for each item by sampling and verification of packing lists or other documents, or other evidence that is timely filed. If individual duty rates cannot be readily determined, the entire container can be assessed the highest rate of duty applicable to any item in it.

**SCHEDULE B NUMBERS**

Exports are classified using Schedule B numbers. In 99 and 99/100% of all cases, the Schedule B number is identical to the HTS number. There are some exceptions so the exporter must always perform a classification process. With few exceptions, all exports must be accompanied by the Shippers Export Declaration (SED) and the SED cannot be completed without the Schedule B number.
The Schedule B number consists of 10 digits. The breakdown is identical to the HTS number. That is, the first 10 digits are used for the same purposes as previously described. The eleventh digit (the check digit) is not used for export statistical purposes.

The rules of classification for selecting the appropriate Schedule B numbers are virtually the same as making the classification selection for imports. That is, classification is determined by using the headings supplied in the Schedule B publication. Generally —

- The heading description will also apply to the named article if it is incomplete or unfinished
- The heading description will also apply to mixtures or combinations of substances
- In the case of mixtures or combinations, the heading that provides the most specific description is used to describe the export

Exporters do not have to be concerned with rules of origin, preferential duties, etc., for purposes of filing the SED.

Schedule B numbers are administered by the U.S. Census Bureau, which is charged with compiling and maintaining export statistics. The Customs Service collects the information for the Census Bureau.

STATISTICAL DATA COLLECTION

The U.S. collects and publishes statistical data on imports and exports. Supplying data for these purposes is not an option — it is mandatory. In the case of imports, the data is developed from the Entry Summary that must be completed when the goods are officially entered. It is this requirement that dictates the information that is included on the Entry Summary. In the case of exports, statistical data is gathered from the Shipper’s Export Declaration (SED). See Section 6 for detailed information on both of these documents.
Any goods, products, or materials imported into or exported from the U.S., for whatever purpose, are subject to specific documentation requirements. Foreign countries levy similar requirements.

Documentation is usually prepared by the shipper or its agent. However, in many cases, both the importer (receiver) and exporter (shipper) are involved in assembling the necessary data and information. The cooperation of both parties will go a long way toward facilitating a smooth transaction.

The primary hurdle for any legally importable/exportable freight is customs clearance — whether in the U.S. or a foreign country. Customs services routinely require documentation that is in addition to the commercial documents that normally accompany any international transaction.

Documentation accompanying the shipment determines: (1) how the freight will be transported to/from ports of entry and exit and by which carriers; (2) loading and unloading services required and how they will be performed; (3) legal ownership of the cargo, and (4) other information, such as value, so that applicable duties can be determined and assessed.

It is critical that the correct documents are prepared, in the proper form and order, to assure efficient handling of the shipments. Minor oversights and omissions in documentation can be costly, create delays and cause spoilage of the goods (i.e., they are not delivered on time and become unusable).

Most importers and exporters use third party services to execute documents and provide customs clearance. Whether or not the importer or exporter chooses to execute documents themselves or use a third party, it is extremely important that they have a complete understanding of what they are and why they are required. *Use of qualified third party services does not relieve the importer or exporter (the legal owners of the goods) of its legal obligations and responsibilities.*

Generally, importers and exporters must retain all records related to a shipment/transaction for a minimum of three years. In some cases, the record retention requirement will be longer (e.g., shipments for which specific licenses are required).

This discussion of required documentation is based on U.S. laws and regulations. Requirements for foreign countries will be similar, but not necessarily identical. Some foreign countries have very unique requirements. It is incumbent on the importer and exporter to thoroughly check in advance as to what will be needed.

Documentation required to import or export freight is discussed below. Some of the documents are required for all shipments, some are required most of the time, and some are required under specific or special circumstances. Required documents are noted as such (✔) and explanations are provided for when the others may be required.

**AIR WAYBILL ✔**

This form is the air carrier bill of lading (b/l) for domestic and international flights. It serves as a receipt for the cargo and is a contract for carriage (see Bill of Lading).
ATA Carnet

This is an international customs document that allows duty free, temporary importation of goods for such purposes as demonstrations, displays and trade shows. Merchandise that can be temporarily entered using a carnet (pronounced car-nay) includes, samples and professional equipment, most ordinary goods such as computers, cameras, cars, and jewelry as well as things like fine art, aircraft, musical instruments, and circus animals.

A carnet is usually valid for up to one year. It can eliminate the need to make a customs declaration and provides security for the payment of any customs duties if the goods are not re-exported within the prescribed time limits. Not all countries accept carnets but presently more than 50 do. They include the U.S., most European countries, Hong Kong, India, Japan, Korea, Singapore, and Taiwan.

Applications for carnets are made to the U.S. Council for International Business (USCIB), found at various locations throughout the U.S. (Boston, Baltimore, Miami, Los Angeles, San Francisco, New York, and other sites). Applications are usually made by mail or fax or via the Internet. They can be processed in 24 hours for an extra charge.

Carnet applicants must provide a detailed listing of the goods or merchandise being temporarily imported. The list assigns a number to each item covered by the carnet, provides its trade description, gives the quantity, weight, value and country of origin (manufacture).

Usually a security deposit in the form of a surety bond or a certified check, equal to about 40% of the value of the shipment, is made. Processing fees are assessed based on shipment value. They range from $120.00 (shipments valued at under $5,000.00) to $250.00 (shipments valued at $5,000.00 or more). Fees are subject to change so the USCIB should be consulted to determine the most current fees at the time the carnet is required. In some instances, if the shipment exceeds $2,500.00 in value, the shipper/exporter has to complete a Shipper's Export Declaration.

Language of documents involved in applying for a carnet, the bond guarantee, etc. usually must be as prescribed by the USCITB. Once a carnet has been processed its terms cannot be altered.

Complete instructions for using the carnet to enter a foreign country and reenter the U.S., to enter the U.S., or transit a country, are provided by the USCIB.

Bill of Lading (B/L)

The b/l serves as the delivery receipt evidencing delivery of the shipment to the carrier. It is the contract of carriage between the carrier and shipper and is evidence of ownership of the cargo. Often two or more bills of lading are involved in international shipments. B/Ls are usually required for the land portions of the transportation (to/from ports of entry and exit). Lastly, there is the b/l that will cover the international portion of the transportation.

Bills of lading can be either a straight b/l or an order b/l. A straight b/l is nonnegotiable while the order b/l can be bought, sold or traded while the goods are in transit. The order b/l is used in letter of credit transactions.
The b/l covering the international transport of the transportation service contains distinctly different provisions than those covering origin/destination land service. There are also significant differences relative to liability for cargo loss/damage and differences in the way rates are assessed to name just a few.

**CARRIER’S CERTIFICATE**

This document is prepared by the carrier transporting the goods to the port of entry. It certifies the person or firm entitled to enter the goods, usually the owner of the cargo. Most entries are made by the certified person or firm or their duly authorized agent.

**CERTIFICATE OF ORIGIN**

The U.S. and some foreign countries require a Certificate of Origin before goods can be imported. Often this document repeats information already contained on the Commercial Invoice but it still must be supplied. Shipments moving between the U.S. and its free trade partners, Canada and Mexico, must be accompanied by Certificates of Origin. In the case of free trade agreements, the Certificate of Origin also determines if the goods can enter the participating countries at reduced duty or duty free.

**CERTIFICATE OF INSPECTION**

A Certificate of Inspection can be required by a receiving country or by individual buyers. Usually it certifies that the goods meet certain specifications. The certification is provided by an independent third party qualified to make the necessary inspections, tests or reviews.

**CERTIFICATE OF MANUFACTURE**

This document is usually provided by the manufacturer or producer of a product. It certifies the products are in finished form and at the disposal of the buyer. Usually the certificate is notarized.

**COMMERCIAL INVOICE**

The commercial invoice provides all the information necessary to describe the merchandise and terms of sale. In some countries, the commercial invoice is all that will be required for duty assessment purposes. Merchandise descriptions on the commercial invoice should coincide with the description in the tariff of the receiving country. Note that most countries use the harmonized tariff codes and descriptions but a few do not. U.S. Customs will only accept the Commercial Invoice for its purposes if it is signed by the seller or shipper (or its designated agent), and it provides the following information.
- Name of destination port of entry
- If the goods are sold or agreed to be sold, the time, place and names of the buyer and seller; if the goods are consigned, the time and origin of shipment and the names of the shipper and receiver
- A detailed description of the merchandise including its name, grade/quality, identifying marks, numbers and symbols under which it is sold, and number of packages
- Quantity in weight and measures
- If sold or agreed to be sold, the purchase price in the currency of the sale; if consigned, the value for each item in the currency in which the transaction is usually made or in the currency that the seller is willing to receive
- Kind of currency
- All charges, itemized by name and amount including freight, insurance and commissions, the cost of cases, containers, coverings, the cost of packing and all costs and expenses incurred in the bringing the goods from alongside the carrier to the first U.S. port of entry
- An itemization of all rebates, drawbacks and bounties allowed upon exportation
- Country of Origin
- All goods or services furnished for production of the merchandise that are not included in the invoice price

In the U.S., the Commercial Invoice, and all its attachments, must be in English. It must state in detail what merchandise is contained in each package. Discounts from list prices must be disclosed. A separate invoice is required for each shipment except that shipments assembled by a commercial carrier can be included on one invoice.

The Commercial Invoice must be presented to U.S. Customs within five working days of the date of arrival of the shipment at the U.S. port of entry if the goods are being entered for consumption. If a Commercial Invoice is not available, a Pro Forma Invoice must be presented.

**CONSULAR DECLARATION**

This is a formal declaration, made to the foreign consul office located in the U.S., describing the goods the exporter desires to ship to the consul’s country. The purpose is to obtain permission to export the goods.

**CONSULAR INVOICE**

The Consular Invoice is required by some countries. The invoice is procured in the U.S., but from the consulate of the foreign country to which the shipment is destined. Often it must be prepared in the language of the receiving country as well. This document contains full details and descriptions
of the goods being shipped. It must show all discounts and rebates and must be certified by the consul of the destination country. The consular invoice is used by the importing country to verify value, quantity and nature of the shipment.

CUSTOMS BOND ✔

When importing into the U.S., commercial importers must secure a Customs Bond. It guarantees the importer’s compliance with applicable regulations and laws, and that it will pay all assessed duties.

DELIVERY INSTRUCTIONS ✔

This document lists the name of the shipper and/or forwarder, specifies domestic routing, and names origin and destination points. It will also show where the goods are to be delivered, where they are to be placed (airport and pier information), the names of exporting carriers and will contain any special instructions required for the safe, efficient handling and delivery of the cargo.

Delivery instructions are prepared by the exporter (shipper), oftentimes with input from the importer if needed. Generally, delivery instructions will be as agreed when the purchase was negotiated. If there was no agreement or no determination to use the exporter’s or importer’s “usual” delivery procedures, the exporter and importer should communicate their requirements before the shipment is released (see Shippers Letter of Instructions).

DESTINATION CONTROL OR ANTIDIVERSION STATEMENT ✔

This statement must appear on the commercial invoice and the ocean or air waybill or bill of lading and the Shippers Export Declaration. It advises the carrier the goods being exported may only be transported to the named destination and/or port.

DOCK RECEIPT

The dock receipt is issued by the marine carrier at some ports of exit and serves as evidence of transfer of goods from the shipper to the carrier until a bill of lading is issued.

ENTRY MANIFEST ✔

The Entry Manifest is one of the documents that must be presented to U.S. Customs to enter imported goods. Alternatively an Application and Special Permit for Immediate Delivery must be presented. These documents must be presented to Customs, at the port of entry, within five working days of the date of arrival of the shipment, if the goods are being entered for consumption.
ENTRY SUMMARY

The Entry Summary (Customs Form 7501) is filed after a shipment is released. It must contain the following information.

- Number of the Customs district and port of actual entry
- Name of vessel or airline or other means of transportation
- Foreign origin port
- Port of unlading for vessels and airlines
- Date of importation
- Country of origin
- Country of exportation
- Date of Export
- Description of goods
- Statistical Reporting Number (HTS number) including code denoting the source of preferential duty treatment
- Gross weight included under each reporting number
- Net Quantity in units specified in the HTS classification
- U.S. Dollar Value
- Aggregate Costs in U.S. dollars of freight, insurance and all other charges incurred
- Other information as may be required

EXPORT LICENSE OR PERMIT

A validated license or permit is required when a government exercises control over exports. The license may have general application or be limited to specific commodities or specific countries. The U.S. Department of Commerce, Bureau of Export Administration issues export licenses. However, if a product that must be licensed falls under the exclusive control and jurisdiction of a different federal agency, it is subject to the regulations and guidelines provided by that agency. See Section 4 of this guide for more information.

FOREIGN EXCHANGE CERTIFICATES

Foreign Exchange Certificates enable the certificate holder to buy or sell goods abroad or to make or receive payments in the currency of the country granting the certificate.
INSURANCE CERTIFICATE

This certificate confirms that the shipment is insured in accordance with the terms of a particular policy. It usually states the type and amount of coverage. See Section 9 for a complete discussion on insurance.

LETTER OF CREDIT

The Letter of Credit is one of the most common methods of payment in international trade. It is a written order specifying a sum of money to be transferred on a specific date from a person owing money to the person to whom the money is owed. See Section 10 for a detailed discussion on Letters of Credit.

OCEAN WAYBILL

This is the bill of lading issued by a shipping line to a shipper. It serves as a receipt for the goods and as a contract for carriage.

PACKING LIST

This document provides detailed information on the goods being sent in the shipment, listing package contents, markings, weights and dimensions. It usually does not include cost and pricing information. The Packing List must be presented to Customs, at the port of entry, within five working days of the date of the shipment’s arrival.

POWER OF ATTORNEY

Powers of attorney are required by U.S. Customs. They grant the holder the power to work with Customs on behalf of an importer. However, the importer remains legally responsible for compliance with all statutes and regulations and payment of duties and other taxes and fees.

The person to whom the power of attorney is granted is empowered to sign all customs declarations, entries, bills of lading, handle correspondence with Customs and protest Custom’s decisions. The power of attorney is signed by the owner of the goods.

Nonresident foreign corporations, individuals, or partnerships wishing to make entry of goods into the U.S. may issue a power of attorney to enable a broker, employee or corporation officer to make the entry. The person named in the power of attorney must be a U.S. resident who has been authorized to accept service of process on behalf of the foreign entity.

PRO FORMA INVOICE

The Pro Forma Invoice is accepted by U.S. Customs if the Commercial Invoice is not filed at the time the merchandise is entered. A bond must be filed with Customs and the Commercial Invoice must
be produced no later than 120 days from the date of entry. That deadline is shorter under certain circumstances. The Pro Forma Invoice must contain enough information to allow examination, classification and appraisal of the goods. It is subject to the same submission requirements as the Commercial Invoice.

SHIP’S MANIFEST

A manifest, provided and signed by the captain of the ship, that itemizes all cargo carried by the vessel.

SHIPPERS EXPORT DECLARATION (SED) ✔️

This document (Form 7525-V) is required by the U.S. for any export shipment valued at more than $2500.00 or any mail export shipment valued at more than $500.00. Any shipment that uses a Validated Export License must be accompanied by an SED regardless of value. The SED is used to develop export control regulations and to compile statistics on foreign trade. The SED is to contain specifically named information that includes the following.

- Exporter’s name and address
- Exporter’s identification number (employer EIN)
- Date of exportation
- Name and address of the ultimate consignee
- Name and address of any intermediate consignee
- Name and address of the duly authorized forwarding agent
- State or FTZ of origin
- Name of the country of ultimate destination
- Number or name of the loading pier where goods are placed aboard the exporting vessel
- Mode of transportation (vessel, air, rail, etc.)
- Name of the exporting carrier
- Name of foreign port of unloading
- Schedule B Number and Commodity description
- List of marks, numbers or other identification shown on the packaging
- Gross shipping weight
- Value
- Export license number
- U.S. Principal Party in Interest (USPPI) (person receiving the primary benefit of the export transaction)
- Parties to the Transaction and their Relationship (e.g., parent company & subsidiary)
- Transportation Reference Number (the booking number or airway bill number)
- Port of Export
- Carrier Identification Code (3 or 4-character Standard Carrier Alpha Code)
- Shipment Reference Number (unique identifier assigned by filer of SED)
- Entry Number (if export transaction is used as proof of export for drawback, etc.)
- Type of Export (D = merchandise grown, produced or manufactured in the U.S.; F = merchandise entered into the U.S. and being re-exported in the same condition; and M = merchandise sold under the foreign military sales program)
- Quantity (reported in Schedule B units as given in the publication)
- Export Control Classification Number (ECCN) (when required)
- Signature of the exporter or its authorized agent.

If the merchandise requires a Validated Export License, the SED must be filed regardless of the method of transportation.

All SEDs must be prepared in English, must be typewritten or prepared in other non-erasable medium and must be signed by the exporter or its duly authorized agent. Authorized agents usually have a formal power of attorney. Generally, separate SEDs must be prepared for each shipment.

A shipment is defined as all merchandise sent from one exporter to one foreign consignee, to a single foreign country of ultimate destination, on a single carrier, on the same day. More than one license or license exception or a combination of licenses and license exceptions may be listed on the same SED.

SEDs are delivered to the exporting carrier with the goods to be exported. Mail shipment SEDs are delivered to a post office with the package at the time of mailing.

An SED is not required when the value of commodities classified under each individual Schedule B number is $2,500 or less and for which an export license is not required. If a shipment contains a mixture of individual Schedule B numbers valued at $2,500 or less and individual Schedule B numbers valued at more than $2,500, those valued at $2,500 or more need to be reported on the SED.

If all or part of the shipment does not require an SED, the following statement(s) must appear on the bill of lading, air waybill or other loading documents for carrier use, as appropriate:

"No SED required, FTSR Section 30.55(h)," or,

"No SED required, no individual Schedule B number valued over $2,500", or,

"Remainder of shipment valued at $2,500 or less per individual Schedule B Number."

There are exceptions to these general rules including considerable exceptions for goods being exported to Canada and Mexico. No SEDs are required for shipments being exported to Canada (unless an export license is required); from the U.S. Virgin Islands to the U.S. and Puerto Rico; from the U.S. and Puerto Rico to other U.S. possessions; and from other U.S. possessions to the U.S.

**SHIPPERS LETTER OF INSTRUCTIONS ✔**

This document can be a form or a letter. It is prepared by the shipper for its forwarders and provides all data needed by the forwarder to prepare the international bill of lading, designates the forwarder agent to be used and provides other information needed to prepare the shipment for transportation (see Delivery Instructions).

**SPECIAL INVOICES**

Some merchandise requires special invoices. The merchandise is itemized in 19 CFR 141.89.

**SPECIAL PERMIT FOR IMMEDIATE DELIVERY**

The Special Permit for Immediate Delivery application (Customs Form 3461) is filed prior to the arrival of the imported goods at the port of entry. It allows for expeditious release of the imported goods, but can only be used for certain merchandise. Eligible goods include merchandise and fresh fruit and vegetables from Canada or Mexico, articles to be used in a trade fair, and some quota merchandise.

**TRANSACTION STATEMENT**

The Transaction Statement lists and describes the terms and conditions governing a transaction to which the importer and exporter have agreed.

**WAREHOUSE RECEIPT**

A Warehouse Receipt verifies transfer of custody of goods when they are transferred to the warehouse from some other location/party.
SECTION 7 - RULES OF ORIGIN

All goods imported into the U.S. are required to be identified as to their origin. Origin is critical as it determines duty rates, eligibility for duty-free entry under different programs, if the importations are subject to quotas or special duties, and even if the goods are admissible at all.

Origin rules vary from country to country, but generally are similar to those imposed by the U.S. When importing, U.S. rules of origin apply. When exporting, the rules of origin of the destination (foreign) country apply. The U.S. has two different kinds of rules of origin: Non-Preferential and Preferential.

Preferential Rules of Origin apply on imports from the following groups of nations which are afforded reduced duty or have duty eliminated entirely from some or all of the commodities they export to the U.S. Non-preferential rules of origin apply to all other countries.

- Andean Trade Preference Act (ATPA) — Bolivia, Ecuador, Colombia & Peru
- Caribbean Basin Initiative (CBI) — countries and territories surrounding the Caribbean Sea
- Generalized System of Preferences (GSP) — developing countries and territories worldwide
- North American Free Trade Agreement (NAFTA) — Canada and Mexico
- Compact of Free Association (FAS) — Marshall Islands, Federated States of Micronesia, Palau
- Insular Possessions of the U.S. — U.S. Virgin Islands, Guam, American Samoa, Wake Island, Midway Islands, Johnston Atoll, Commonwealth of the Northern Mariana Islands
- U.S./Israel Free Trade Agreement (IFTA) — Israel
- Products of the West Bank, the Gaza Strip or a Qualifying Industrial Zone — West Bank, Gaza Strip and other named zones

In some cases, importations from the countries named in these various agreements are limited to specific goods, so only those goods are eligible for preferential treatment and duty rates. Advance rulings as to qualifications of imports under the various rules of origin are available from Customs.

Both preferential and non-preferential rules of origin are based on the “wholly obtained” criterion. That is, the goods must be wholly grown in or are the product or manufacture of the exporting country. A substantial transformation criterion is applied under all rules of origin.

The substantial transformation criterion is used when the merchandise or products consist of materials from more than one country. It is an evaluation that determines if the goods were “transformed” enough to be considered a new and/or different article, thereby becoming the product of the country in which the transformation took place.
In the case of non-preferential rules of origin the substantial transformation criterion is applied on a case-by-case basis. In the case of preferential rules of origin, the substantial transformation criterion is applied to all goods containing materials from different countries, i.e., the procedure is automatically available to the importer/exporter. Different rules of origin apply to government procurement products and goods and to textiles.

Rules of origin also impose marking requirements. That is, all imported goods must be marked or identified as to the country of origin. Two sets of country of origin marking rules are used in the U.S. One applies only to Mexico and Canada and the other applies to all other countries.

In some cases a Certificate of Origin must be certified. This can be done by chambers of commerce, who verify the claims made by the exporter as to the U.S. origin of goods. Usually they will need to review the commercial invoice to certify the origin certificate. In some cases the foreign country will require that the certification be made by a specific organization or group.
SECTION 8 - PACKING, PACKAGING AND PACKAGING MATERIALS

Packing and packaging goods for import/export transportation requires advance preparation just like all other aspects of import/export. The key factor is that the transportation will be multimodal. That is, more than one carrier mode will be involved in handling and transporting the cargo.

OVERVIEW OF PACKING AND PACKAGING REQUIREMENTS

As with packing and packaging for domestic shipments, the primary goal is to have the cargo arrive at the destination undamaged and in good, ready-to-use-as-intended condition. The return of damaged goods or the replacement of short goods, when international shipments are involved, is more complex and costly internally than performing the same tasks for domestic shipments. The secondary goal, is to package so that the primary goal of safe delivery is accomplished as economically as possible.

As with domestic shipments, international shipments will be handled multiple times during their journey from origin to final destination. However, not all destination countries have the same level of sophistication as the U.S. when it comes to cargo handling, loading and unloading. Freight can be and is dropped and otherwise mishandled.

Theft is another issue that must be addressed by packaging. Some goods are more attractive than others to the would-be thief, or the cargo may be particularly attractive in only certain countries. Every effort should be made to make packaging as pilferage proof as possible.

The importer/exporter must be knowledgeable of any special packaging requirements that might apply. These would include regulations applicable to hazardous materials and commodities. There also may be prescribed packagings for specific merchandise.

All international shipping involves overland transportation to the exit port, transportation from the exit port to the entry port at the destination country, and overland transportation in the foreign country to the ultimate customer. The international portion of the cargo’s transportation, unless it is within North America, will be by either water or air carrier.

OVERLAND/INLAND TRANSPORTATION

Usually inland transportation is via motor carrier, but it can also be via railroad (or a combination of the two) or even by inland waterway transport such as barges. Packaging must conform to requirements for those specific carriers or combination of carriers. Motor and rail carriers in particular publish guidelines for packaging in their respective freight classifications. Further packaging information may also be found in individual carrier tariffs. Each has its own unique set of requirements and regulations.
MARITIME TRANSPORTATION

Most general freight shipped via marine carriers will be containerized, most typically in either 20-foot or 40-foot units. If the individual shipment is not large enough to occupy the full container, most shippers tend to use a freight forwarder or other third party, and the shipment is consolidated with many others.

Freight within containers is blocked and braced, palletized and/or unitized in some other manner. The intent is to keep the freight stable and motionless while being transported on the ship. The purpose is twofold — to protect the cargo and to protect the ship from cargo movement causing it to capsize. Shipping cartons, crates, etc., must be able to withstand the container packing and unpacking process.

Some shipments are not containerized. Instead they may be loaded/unloaded using block and tackle, nets, cranes and other devices. They will be tied down or otherwise secured when in the cargo hold. External and internal containers must be able to withstand that type of handling which can include some hard bumps and bangs, and excessive pressure from tie-down straps and materials or cargo stacking.

Maritime cargo may also sit alongside ships on docks and piers for extended lengths of time. This means it can be subject to the vagaries of the weather. Packaging must be able to withstand various weather conditions, at least for brief periods. Moisture damage is not limited to weather conditions either. It is commonly caused by condensation due to temperature extremes while at sea. It is a chronic condition for cargo that is transported by water and combines with damage that can occur because of salt water. This may dictate the use of desiccants and other drying elements and techniques to protect the cargo.

Many container units ride on the decks of container ships, so excessive heat can be a problem depending on the route and destination point. Most containers will withstand these conditions, but occasionally they will leak.

Heavy machinery and other equipment, often is not containerized or is crated in a manner so that it is fully exposed to the elements. In those instances, coatings must be applied to protect the cargo from damage.

AIR TRANSPORTATION

The same general concerns are relevant for air shipments. That is, packaging must be able to withstand multiple handlings. Moisture damage is not as critical a concern, however. The concern for air shipments is altitude and pressurization. Many cargo holds are not pressurized so if the goods being shipped cannot handle pressure changes they will be damaged. This is particularly critical for liquids for example. Most packaging must provide an empty space in the container (called ullage) to allow for expansion of the contents, whether or not the cargo will be in a pressurized hold.

With few exceptions, air freight is containerized. Again, forwarders and other third party services can be used to consolidate shipments that are too small to occupy a full container. Blocking and bracing and other techniques are used to assure cargo does not shift within containers. Air freight
containers come in a wide variety of sizes and shapes. Each container is designed to fit the cargo hold of a specific aircraft model. They lock into place via special built-in fittings in the cargo hold and on the container. Again, cargo securement, within and without the container is important to assure stability of the cargo and aircraft.

**LABELING AND MARKING**

All packages in international shipments must be properly identified, marked and labeled. Package marking must meet all applicable shipping regulations. The purpose is to assure correct handling and provide all necessary information to assure the package gets to its final destination as quickly as possible.

International packagings are usually marked on the outside with the country of origin, weight, shipper identification, destination information (port of entry) and all appropriate handling and precaution notes, such as “This Side Up” and other cautionary markings. Usually the markings will be in English and the language of the receiving country.

Additionally, any special marking and labeling requirements must be observed. Hazardous materials shipments usually require special markings and some other cargo may also have specific marking requirements as well.

Many of the markings will be determined by the customs laws of the receiving country. Most customs regimes strictly enforce the packaging marking requirements levied by their country. The importer can help the exporter determine what they are and if they are applicable to that particular shipment. Failure to comply with those requirements can delay the shipment or even cause it to be turned away or confiscated.

**ENVIRONMENTAL, RECYCLING AND OTHER PACKAGING REQUIREMENTS**

Many countries have packaging and recycling laws in place that apply to all goods seeking entry. The European Union’s Packaging and Packaging Waste Directive has been in effect since 1994 and provides guidance to member states on harmonizing packaging waste management. Some individual countries also have recycling regulations in place, Japan and Germany among them.

China, Australia, New Zealand and Brazil have restrictions on the use of wood packagings. The purpose here is to prevent the introduction of pests and diseases into other countries. The United States also has pest control regulations in place against wood-borne insects. Usually the exporter will have to certify that its packagings have been treated for the pest in question or that they are pest free. Often specific treatments for the pests are prescribed by the destination country. China, for instance, specifies how wood must be heat treated to assure it is free of the pinewood nematode.

Brazil is attempting to protect its country from introduction of the Asian Longhorned Beetle. Australia requires wood components of containers be permanently treated to specific standards. New Zealand inspects all wood and wood packaging and requires fumigation. Many countries require the exporter to certify that the packagings contain no wood.
“Green” packaging, a methodology that covers packaging from initial use to disposal, is of great interest to many countries. It is seen as a way to deal with environmental disposal problems. The EU is one group on the forefront and its perspective includes final disposal of the product itself. When exporting to countries with these kinds of rules, the exporter must comply or it cannot sell its products.
SECTION 9 - LIABILITY AND INSURANCE

Regardless of the carrier mode, in all cases, it is incumbent on the consignor/consignee to determine what provisions will govern its shipment, to determine if it needs higher value coverage for its cargo and to obtain and pay for same, and to make timely written filings in the event of loss, damage or delay of the cargo. No shipper should ever ship via maritime carriers without supplemental marine insurance.

Just as with domestic carriage, international carriers incur specific liability if freight in their possession is lost or damaged. In the case of international cargo, liability is determined by international treaties and agreements in which the U.S. participates. Additionally, a country can opt to subject a carrier to further requirements as may be imposed by the laws of that country.

Liability responsibilities are different for each of the international carrier modes — air and maritime. Country participation in the various treaties and their amendments is optional. In the case of the U.S., the president can sign a treaty, but it does not become the law of the land unless Congress makes it so. As a result there are some treaties and amendments to treaties affecting international commerce, including liability, to which the U.S. is a party, but they are not the law for U.S. shippers and carriers. Instead, U.S. shippers and carriers function under older versions of the treaty as will be seen in the detailed discussions below.

An important change has been made in determining amounts that can be recovered in the event of loss, damage or delay of cargo. Recovery limits are now calculated using Special Drawing Rights (SDRs). SDRs are defined by the International Monetary Fund (IMF). Each country converts its currency into SDR equivalents using valuation methodologies set by the IMF. The value changes daily, so current information is critical in determining recovery values. SDR/IMF information is usually available on the financial pages of major newspapers.

Situations will arise, when countries who are party to the governing treaties, will not be members of the IMF, or their laws preclude calculating SDR values using IMF methodologies. Those countries may use other methods of determining value for purposes of liability recoveries.

LIABILITY — AIR CARRIERS

The Warsaw Convention governs international air carriers’ liability responsibilities for passengers, baggage and cargo, including all-freight cargo service. The U.S. is a party to the Warsaw Convention which was passed in 1929. Recently, Warsaw was modified by Montreal Protocol 4. Montreal was passed in 1975 and the U.S. signed the update at that time. However, it was not enacted into law in this country until 1999.

The Warsaw Convention, as modified by Montreal, sets out the basic rules to include what must be shown (minimum information) on air waybills, number of required copies, who gets which copy; and what happens if the shipment is accepted without an air waybill. It also states that if the consignor fails to provide or provides incomplete, incorrect or irregular information concerning the particulars of the shipment, the consignor is responsible to the carrier for all damage it (the carrier) may suffer and for any damage to other parties for which the carrier may be liable.
Warsaw provides that the air waybill is prima facie evidence of the conclusion of a contract for carriage and the terms of that carriage. It also serves as the receipt for goods. The carrier’s liability for loss or damage to the cargo is set at a specific value per pound. It may provide additional, higher values and collect a fee for that additional coverage. Warsaw also provides that any agreement or provision that lowers the carriers’ liability, or relieves it of liability entirely, is null and void.

Receipt by the consignee of the freight, without notation of any exceptions or damage, is considered prima facie evidence that the goods were delivered in good condition and in accordance with the air waybill terms/conditions of carriage.

Warsaw sets specific time limits within which claims for damage, in writing, must be made and within which civil suits must be brought. Warsaw also provides that in the case of combined or intermodal carriage, its terms only apply to the international air portion of the transportation.

Air carriers are afforded typical defenses against liability for loss, damage or delay of cargo if the loss, damage or delay was caused by an inherent defect, quality or vice of the cargo; defective packaging or packing; acts of war; or the act of a public authority carried out in connection with the entry, exit or transit of the cargo. Here are the time and value limits applicable to international air freight shipments/cargo.

- In the case of loss or damage to cargo, including cargo checked as baggage and baggage, the following limits apply —
  - Baggage/luggage — within 3 days of receipt of the baggage/luggage
  - Cargo — within 7 days of the receipt of the goods

- In the case of delay of cargo, including cargo checked as baggage and baggage, the following limits apply —
  - Baggage/luggage — within 21 days of the date on which the baggage/luggage would have been placed at the disposal of the consignee
  - Cargo — within 21 days of the date on which the cargo would have been placed at the disposal of the consignee

- If no complaint is made, in writing, within these time limits, the consignee/consignor has no recourse, unless the carrier engaged in fraud

- Civil/legal action for damages must be brought within two years, calculated from the date of arrival at destination, or, the date on which the aircraft should have arrived, or the date on which carriage stopped

- Warsaw states that “the expression ‘days’ when used in this Convention means current days not working days” (Article 35). It also provides that the “method of calculating the period of limitation shall be determined by the law of the Court seised (the court where the complaint is brought) of the case” (Article 29).

- The damage recovery limit under Warsaw, as modified by Montreal, is based on 17 SDRs per kilogram or approximately $23.00 per kilogram or approximately $9.07 per
pound, regardless of how the damage occurred. If any signatory party is not a member of the IMF, the value will be determined based on a gold standard.

- In the event of court awards for damages, the damages will be calculated in accordance with the appropriate valuation method on the date of judgment, not the date the loss, damage, etc. occurred — a situation which can be a plus or minus depending on the circumstances.

- Warsaw is silent on time limits for filing claims in the event the cargo is lost or not delivered, so generally the provisions on the air waybill will govern (generally 120 days but not necessarily so).

These are the basic liability rules under which international air carriage is performed if the origin and destination country are parties to the agreement. Some countries are not, and in that case different provisions and time limits can apply. Generally, the provisions that apply will be those established by the chosen carrier. Those terms are usually found in multiple locations: (1) the air waybill, (2) the carrier’s service guide, and/or (3) a tariff or procedural manual.

Finally, if the shipper has obtained any special or supplemental cargo insurance, and loss or damage occurs, the insurer/insurance carrier must be notified in compliance with the terms of the insurance coverage. Usually the insurer requires “immediate” notice. Failure to comply with policy terms will negate the coverage.

**LIABILITY — MARITIME CARRIERS**

Maritime transportation and liability is governed by one treaty, The Hague Rules, established in 1924. The Hague Rules have been modified numerous times but acceptance of the modifications has not been unanimous. The U.S. enacted the Carriage of Goods by Sea Act (COGSA) in 1936. That is the last amendment to the basic Hague Rules that the U.S. has enacted into law.

Other changes to the basic Hague Rules include the Brussels Protocol (1968), commonly referred to as Hague-Visby, and the Hamburg Rules. While the U.S. adheres to COGSA, only the U.S. uses this format. Most other countries use Hague-Visby with a small percentage using the Hamburg Rules. As can be seen from all of this, unlike international air service, there is no uniformity in maritime rules and procedures. In fact, the U.S. is a “stand-alone” operation.

**COGSA**

COGSA applies to shipments going to/from the U.S. It is applicable from the time the cargo is loaded on board the ship until it is unloaded — or tackle to tackle. This application limit is routinely extended by most maritime carriers to apply from time of receipt until the cargo is delivered. The modification is found on the bill of lading. Note the keyword “most” — not all carriers routinely grant the expansion.
COGSA requires that written notice of loss be provided the carrier or its agent, at the destination or discharge port, before or at time of removal of the cargo if the loss or damage is apparent. If it is not, written notice must be given to the carrier or its agent within three days of delivery.

Unlike international air service laws, if the maritime shipper fails to provide notice within that time period, the claim is not dead in the water. Rather, the presumption is created that the goods were in good order and the consignor/consignee must then specifically demonstrate the damage/loss occurred before delivery. The burden of proof changes, just like with concealed damage claims in domestic truck service. COGSA provides a $500 per package or customary freight unit damage limit.

HAGUE-VISBY AND HAMBURG

While Hague-Visby and Hamburg Rules have not been embraced by the U.S., they still impact U.S. importers/exporters. Because of this, an understanding of these regulations is important.

Hague-Visby applies from the time cargo is loaded until it is unloaded, or tackle to tackle. It imposes a liability loss limit of 666.67 SDRs per package or 2 SDRs per kilogram, whichever is greater.

Hamburg Rules apply for the entire time the cargo is under the carrier’s care and charge unless the carrier can prove it took all reasonable measures to avoid the occurrence that caused the loss or damage. Hamburg sets a liability loss limit of 835 SDRs per package or 2.5 SDRs per kilogram, whichever is higher.

Both allow the liability limit to be increased by mutual agreement of the carrier and shipper but it may not be decreased.

Hague-Visby Rules require notice of loss or damage be given in writing to the carrier or its agent at the destination/discharge port before or at time of delivery. If the loss is concealed written notice must be made within three days of delivery — very similar to COGSA rules.

Hamburg requires notice to be given in writing no later than one working day after delivery. In the case of concealed damage, notice must be made within 15 days after delivery.

Hague-Visby requires that civil suits to recover damages must be filed within one year of the date of delivery of the cargo or when it should have been delivered. Hamburg requires that a civil action or arbitration be started within two years of the date of delivery, or if delivery was never made, on the last day on which the goods should have been delivered.

Hague-Visby is the governing protocol used by most countries. Hamburg is used only by a small number.

The lack of reasonable uniformity in maritime shipping liability laws is at best a nuisance and at worse a serious problem. At one time there actually was uniformity. The U.S. started going its own way with COGSA and it appears it may continue in that direction.
Presently there is a U.S. coalition of maritime shippers, insurance underwriters, carriers, third party service providers and others who want to modify COGSA. This would require an act of Congress and pressure is building. What this coalition is proposing embraces some of Hague-Visby and some of Hamburg and some of its own creation. Naturally, other countries are watching closely to see what the U.S. will do.

**SPECIAL INSURANCE REQUIREMENTS — MARITIME**

The transportation industry is one of the oldest service industries in civilized societies. It has always been viewed as vital to a country’s economic growth. Most countries protect interstate commerce from all legal interferences, giving it preference in situations where there are legal conflicts. The result has been laws and regulations that are truly unique and unusual in many circumstances. The maritime industry is unique among the unique.

In no other industry or transportation mode can the shipper be made to pay for damage to the carriers’ equipment or to other cargo when the shipper’s actions or cargo are not the cause of the damage. In no other cargo service industry is the carrier automatically excused from liability if its equipment leaks, it damages the cargo when loading and unloading, its employees steal, it does not stow the cargo properly, or it is involved in an accident. These and other liability exclusions have given rise to special insurance for maritime cargo and maritime service users.

Marine insurance comes in several primary forms. The most commonly acquired and used form is All Risk. All Risk protects the cargo from physical loss or damage from most external causes. It does not cover losses resulting from acts of war, sabotage or terrorism, strikes or loss resulting from intentional acts on the part of the shipper or shipper negligence such as improper packaging. It also usually does not cover losses due to unseaworthiness of the ship, making it incumbent on the shipper to use a reliable, known carrier.

All Risk insurance policies protect the insured from General Average losses. General Average is a loss that occurs when a voluntary sacrifice of part of the ship or cargo is made to assure the survival of the vessel and the rest of the cargo. This kind of loss is shared, on a pro rata basis, by the ship and cargo owners.

If the cargo is used or scrap material, other policies are available, such as Free of Particular Average (FPA) insurance. Basically this policy only pays if the loss is total — if it is a partial loss the insurance does not pay. FPA policies can be obtained with average clauses that extend the protection.

Other insurance that may be of interest includes War Risk and Duty Insurance. War Risk covers losses resulting from acts of war, mines and similar losses. Duty Insurance covers those instances when there may be a partial loss and the damaged goods are still subject to duty payment at full value. IRS Tax coverage is also available if the imported/exported goods are subject to those taxes (such as wines, distilled spirits, etc.)
Premiums for insurance depend on the value of the cargo, ports of departure and destination, and the routes the ship takes to get there. The more hazardous any of these criteria, the most costly the premium.

The formula used to determine the amount of insurance required is as follows. Cargo value is calculated — usually the free-on-board value is used as the base — with freight charges added to that amount. Another 10% of that total is added to represent profit. This is the general formula for determining the amount of insurance to purchase, but higher amounts can be procured.

Some of the other clauses in cargo insurance policies that are of interest include the following.

- **Sue and Labor Clause** - ship’s owner attempts to reduce losses or save cargo and vessel, insurer pays necessary costs incurred in carrying out the attempt
- **Abandonment Clause** - invoked when the cost of salvaging a ship or cargo exceeds the value of the goods — permits abandonment of the ship/cargo
- **RDC clause** - covers liability of shipper/carrier for collision claims, and/or claims arising from shipper or carrier negligence causing bodily injury

The United Nations has developed sample All Risk and Restricted Cover (limited risk) policies that can be obtained from their website for study and review. It is recommended that maritime shippers in particular take advantage of this information. Marine insurance is complicated and should be well understood before purchasing the policy.

It should also be noted that some of the coverages available to marine cargo are also available to cargo transported by air carriers, most notably War Risk insurance.
SECTION 10 - TERMS OF SALE AND PAYMENT

Some of the terminology used in international transactions is similar to or even the same as terms used in domestic transportation services. However, they can have completely different meanings.

Terms of sale and payment are extremely important in international shipping. They govern the relationship of the property to its owner, specify the point at which title transfers, and define each party’s rights and obligations. It is important that the international shipper/receiver completely understand international terms so that there are no costly and/or embarrassing misunderstandings.

While there are no mandated terms of sale or payment, there are commonly used terms. As is the case in other situations, the U.S. tends to want to go its own way on these issues. However, it is badly outnumbered, so it behooves U.S. shippers/receivers to understand how the rest of the world operates.

INCOTERMS

Perhaps the most important terms used in international trade are the International Commercial Terms or INCOTERMS. They are a series of 13 trade terms that are commonly used in international sales transactions. Most U.S. shippers/receivers use them as well. The INCOTERMS were revised in 2000. Originally, they were designed to accommodate maritime shipping; however, they are now trending away from a specific carrier mode, (when more than one could apply), and are trying to develop terms that can be used in all situations.

Each of the INCOTERMS refers to a specific agreement for the international purchase and shipping of goods. Generally, the risk of loss and damage passes to the buyer when delivery is accomplished. A brief description of the thirteen, 2000 INCOTERMS follows.

**CFR (COST AND FREIGHT - NAMED DESTINATION PORT).** This terms applies to maritime and inland waterway transportation only. The seller is considered as having delivered the goods when they pass the ship’s rail at the export port. Risk for loss and damage passes to the buyer at that point. The seller pays costs and freight for transportation to the foreign port and clears the goods for export.

**CIF (COST, INSURANCE AND FREIGHT - NAMED DESTINATION PORT).** This term applies to maritime and inland waterway transportation only. The seller is considered as having delivered the goods when they pass the ship’s rail at the export port. The risk for loss and damage passes at that point; however, the seller obtains insurance for the buyer’s risk. The seller pays cost and freight for transporting the goods to the foreign port, and clears the goods for export.

**CIP (CARRIAGE AND INSURANCE PAID TO - NAMED DESTINATION).** This term applies to any transportation mode. The seller delivers the goods to a carrier it chooses and
pays the transportation costs to the destination. The seller obtains insurance for the buyer’s risk of loss or damage during transport and clears the goods for export.

**CPT (CARRIAGE PAID TO - NAMED DESTINATION)**. This term can be used for any transportation mode. The seller bears transportation costs to the destination. Any additional costs and the risk for loss or damage to the freight passes to the buyer when the goods have been delivered to the carrier. The seller clears the goods for export.

**DAF (DELIVERED AT FRONTIER - NAMED PLACE)**. This term applies to any transportation mode. The seller is considered to have delivered the goods when they are available to the buyer before the customs border. The goods are cleared for export, but not for import into the destination country.

**DDP (DELIVERED DUTY PAID - NAMED DESTINATION)**. This term applies to any transportation mode. The seller delivers the goods cleared for import, but they are not unloaded from the transportation carrier. Seller bears the risk for loss and damage and all costs, including duties and taxes.

**DDU (DELIVERED DUTY UNPAID - NAMED DESTINATION)**. This term applies to any transportation mode. The seller is considered as having delivered the goods when they arrive at the named destination. The seller bears costs and risks for loss and damage to that point as well as the cost of clearing customs. The buyer is responsible for all duty and other costs.

**DES (DELIVERED EX SHIP - NAMED DESTINATION PORT)**. This term applies to maritime and inland waterway transportation only. The seller is considered as having delivered the goods when they are at the buyer’s disposal on board the ship. The goods are not cleared for import, the seller bears costs for bringing the goods to the ship, and the buyer pays all discharging costs.

**DEQ (DELIVERED EX QUAY -NAMED DESTINATION PORT)**. This term applies to maritime and inland waterway transportation only. The seller is considered as having delivered the goods when they are placed at the buyer’s disposal on the dock at the named destination port. They are not cleared for import. The seller pays discharging costs and the buyer pays for import clearance. This term can be further modified with duty being paid by the seller or unpaid as the case may be.

**EXW (EX WORKS - NAMED PLACE)**. This term can be applied to any transportation mode. It means the seller makes the goods available to the buyer at the seller’s location. They are not cleared for export and are not loaded on a vehicle. The buyer bears all risks and costs incurred to transport the goods from the seller’s location.
**FAS (FREE ALONGSIDE SHIP - NAMED PORT).** This term applies only to maritime and inland waterway transportation. The seller is considered as having delivered the goods when they are placed alongside the vessel at the named port. The seller clears the goods for export. The buyer bears all other costs and the risk for loss or damage.

**FCA (FREE CARRIER - NAMED PLACE).** This term applies to any transportation mode. It means the seller delivers the goods cleared for export to the carrier named by the buyer at the specified place.

**FOB (FREE ON BOARD - NAMED PORT).** This term applies only to maritime and inland waterway transportation. The seller is considered as having delivered the goods when they have passed the ship’s rail at the named port. The seller clears the goods for export. The buyer bears all costs and the risk of loss or damage.

The foregoing is a brief description of the current (2000) INCOTERMS. *Decisions on how to structure purchase agreements should not be based on these abbreviated descriptions.* The terms are published by the International Chamber of Commerce in a copyrighted publication that must be purchased from them. The publication includes detailed descriptions and examples. Anyone engaging in international purchase, sale and shipping transactions should have this publication.

**LETTERS OF CREDIT**

INCOTERMS establish the terms of the sale and shipping, but they do not provide for collection of due monies for goods, advanced fees, etc. Separate documents, most commonly known as letters of credit, do that.

A Letter of Credit (LC) is a document issued by a bank in which it commits to pay specific sums on behalf of a buyer if the seller meets specified terms and conditions. The bank must verify, on behalf of the buyer, that all documentation is as required.

In the case of the U.S. exporter, a foreign bank usually issues the LC. A number of risks can make this an unsafe situation — anything from political turmoil to the exporter being unfamiliar with the foreign bank’s credit worthiness. In those cases, it is recommended that the exporter have the LC confirmed by a U.S. bank. That is, a U.S. bank adds its guarantee to the LC issued by the foreign bank. If a confirmed LC is not obtained, the LC is considered to be advised.

There are several types of LCs which are briefly described below. Some LCs can be set up on a revolving basis.

**IRREVOCABLE LC.** This LC cannot be changed, amended or cancelled without the mutual consent of all parties to the document. Payment is guaranteed so long as all the terms and conditions of purchase and the credit agreement have been met. The goods are made available to the buyer after payment. Payment is usually made on sight or within a specified number of days. This is the most commonly used LC.
**REVOCABLE LC.** This LC can be cancelled or modified by the buyer after it has been issued, obviously not a desirable form of LC. Payment is made after goods are delivered.

**TRANSFERABLE LC.** This LC can be transferred by the seller and is often used when export brokers are involved. Once all terms and conditions are satisfied, payment is made to the broker’s bank. The broker subtracts its agreed commission and forwards the balance to the seller.

**SIGHT DRAFT LC.** This LC requires payment upon presentation of documents. Payment is usually made when shipment is made.

**TIME DRAFT LC.** This LC requires payment within a specified time period, i.e., 30 days, 60 days, etc. Payment is made when the time draft matures. Time drafts can be discounted. This is one form of LC where the goods can be delivered to the buyer before payment is made.

**OTHER PAYMENT TERMS**

Some other payment terms that can be invoked include.

- Cash in Advance - usually only used for small orders, customs orders or if a buyer is considered a bad credit risk
- Credit Cards - really only practical where value is low and goods are delivered to the end user (consumer)
- Open Account - the buyer is billed, usually only used when the buyer is a regular customer and/or has a track record
- Consignment Sales - goods are sold via an agent for the exporter’s account, the agent retains its commission and remits the balance to the exporter

The payment terms negotiated by the seller and buyer are dependent on several factors to include such things as how well the buyer is known to the seller, the type of order (special or production), the political and economic situation of the destination country, price volatility, and cash flow. It also depends on market positioning and the urgency of the exporter’s need to have a presence in a given market. A risk assessment must be made. An additional, significant risk is the difficulty involved in pursuing a nonpaying buyer across international boundaries. In many cases the task is impossible, making it all the more important to establish protections and guarantees before the goods are shipped.

In international shipping, terms of sale and payment will make or break the deal. It is absolutely vital that each party understands what is expected of them. In some cases, the transportation and/or logistics department of a company handles both the terms of sale and the terms of payment. In other instances, responsibility is shared between transportation/logistics and the financial sections of the company. In any event, it is prudent to include all affected departments when setting up the procedures. All should at least be aware and informed about what is happening.
SECTION 11 - RESOURCES

FORMS, PUBLICATIONS, AND WEB SITES

There is an almost overwhelming variety of information available to anyone interested in importing or exporting. This section of the Guide to International Shipping is dedicated to identifying some of the most useful resources and most commonly used forms so that the importer/exporter can develop a library of basic reference tools. The information provided here is not all-inclusive and should not be considered as such. While this is a relatively complete guide, there are thousands of other specialized publications, forms, and web sites available.

It is incumbent on the exporter/importer to assure it is in compliance with all applicable regulations and statutes. It is again reiterated that the use of third party services (such as brokers, agents, forwarders, etc.) does not protect or, in any way, remove the exporter/importer’s legal liability to be in compliance with all applicable regulations and statutes.

FORMS

The following lists some U.S. Customs and export forms most commonly used. The forms are grouped according to usage. In many cases, the electronic form of this guide includes a printable copy of the form for study and, in some cases, actual use. When that is the case, the File Name will be shown in parentheses and italics following the form name.

Some forms can be downloaded from the appropriate web site. However, many forms must be purchased (some may be acquired free) from either commercial sources, or in the case of government agencies, from the Government Printing Office (GPO) or other designated source. Some forms are available from Customs’ Ports of Entry, located throughout the U.S.

Additionally, commercial carriers (maritime, air and surface) often supply or have available on their web sites, their versions of commercial invoices, packing lists, powers of attorney and numerous other documents required to import/export. While the forms (particularly legal forms such as powers of attorney) were designed to be convenient for their purposes, in many cases they will suit the importer/exporter as well. They should be subjected to a thorough legal review prior to use.

ACCOUNTING FORMS

- Customs Form 3485 - Lien Notice (used by Customs to place a lien for duties and fees due on imported goods)
- Customs Form 5106 (CF5106) - Importer ID Input Record (used to setup importer participation in automated systems)

CARGO MANIFESTS

Cargo manifests are required for virtually all importations. Customs uses numerous forms, depending on the situation and a specific form may be mandated in some cases.

- Customs Form 7509 (CF7509) - Air Cargo Manifest
Customs Form 7512 (CF7512) - Transportation Entry and Manifest of Goods Subject to Customs Inspection and Permit

Customs Form 7512B (CF7512B) - United States - Canada Transit Manifest

Customs Form 7523 (CF7523) - Entry and Manifest of Merchandise Free of Duty, Carrier’s Certificate and Release

CERTIFICATES OF ORIGIN

Designated forms must be used as mandated — no exceptions. Do not attempt to use a NAFTA Certification of Origin for merchandise being imported or exported under exceptions granted by the Caribbean Basin Initiative or the Generalized System of Preferences, for example. It won’t work and you could find yourself on the wrong side of the law, subject to penalties, as well. If you are not sure which form to use, ask Customs.

Customs Form 3229 (CF3229) - Certificate of Origin (Articles Shipped from Insular Possessions, Except Puerto Rico, to the United States)

Customs Form 434 (CF434) - North American Free Trade Agreement Certificate of Origin

Customs Form 434A (CF434A) - North American Free........Continuation Sheet

Customs Form 446 (CF446) - NAFTA Verification of Origin Questionnaire

Customs Form 450 (CF450) - United States-Caribbean Basin Trade Partnership Act Certificate of Origin

DRAWBACK

Customs Form 7514 (CF7514) - Drawback Notice - Lading/Foreign Trade Zone Transfer

Customs Form 7551 (CF7551) - Drawback Entry

Customs Form 7552 (CF7552) - Delivery Certificate for Purposes of Drawback

Customs Form 7553 (CF7553) - Notice of Intent to Export, Destroy or Return Merchandise for Purposes of Drawback

OTHER ENTRY(MISCELLANEOUS) AND DUTY-RELATED DECLARATIONS

Customs Form 3311 (CF3311) - Declaration for Free Entry of Returned American Products

Customs Form 4315 (CF4315) - Application for Allowance in Duties

Customs Form 4609 (CF4609) - Petition for Remission or Mitigation of Forfeitures and Penalties Incurred

Customs Form 317B (CF317B) - Application for Extension of Bond for Temporary Importation

Customs Form 3499 (CF3499) - Application and Approval to Manipulate, Examine, Sample Transfer Goods
EXPORT FORMS

Of all export forms, the Shippers Export Declaration is probably the most important and most comprehensive. Nothing leaves the U.S. without it.

- Customs Form 3495 (CF3495) - Application for Exportation of Articles Under Special Bond
- Customs Form 4455 - Certificate of Registration
- Census Bureau Form 7525 (CB7525V) - Shippers Export Declaration
- Census Bureau Form 7525A (CB7525A) - Shippers Export Declaration - Continuation Sheet
- TradeNet Form SPA (TNFSPA) - Sample Packing List
- TradeNet Form CI (TNFCI) - Sample Commercial Invoice

FOREIGN TRADE ZONES

- Customs Form 214A (CF214A) - Application for Foreign Trade Zone Admission and/or Status Determination
- Customs Form 214B (CF214B) - Application for Foreign Trade Zone......Continuation Sheet
- Customs Form 216 (CF216) - Application for Foreign Trade Zone Activity Permit

POWERS OF ATTORNEY

- Census Bureau Form POA (CBPOA) - Sample Format for a Power of Attorney from an Exporter to a Forwarding Agent
- Census Bureau Form WA (CBWA) - Sample Format for Written Authorization to Prepare or Transmit Shipper’s Export Information
- Customs Form POA (CFPOA) - Sample Format for Giving a Power of Attorney to a Third Party (Broker, Forwarder, etc.) to Transact Customs Business

PUBLICATIONS

The following is a list of basic publications that any importer or exporter should have on-hand. This advice applies even if third parties are utilized to accomplish most of the routine tasks. The importer/exporter must have a basic understanding of what is being done and why. Any failure in the system, whether it results in legal issues or is just an inconvenience, will be laid at the importer/exporter’s feet. They are solely responsible.

U.S. CUSTOMS SERVICE

Customs issues a series of basic and advanced informed compliance publications designed to help importers. Here is a list of some key publications in that series that should be in your library. The
electronic version of this Guide contains downloadable files of the publications. Additionally the publications can be downloaded from the U.S. Customs web site.

“What every member of the trade community should know about —”

Proper Deductions of Freight and Other Costs From Customs Value (March 2000) (CPDEDUCT)
Customs Brokers (March 2000) (CPBROKERS)
Reasonable Care (A Checklist for Compliance) (January 1998) (CPCARE)
Drawback (March 1998) (CPDRAWBACK)
Buying and Selling Commissions (January 2000) (CPBUYSELL)
Tariff Classification (February 2001) (CPTARIFF)
Customs Value (December 1999) (CPVALUE)
The ABC’s of Prior Disclosure (May 2001) (CPDISCLOSE)

OTHER GOVERNMENT PUBLICATIONS

These publications are available from the U.S. Government Printing Office or, from the agency sponsoring them. Most must be purchased.


REMARKS: This is an introductory publication suited to those contemplating becoming exporters as opposed to experienced exporters. The appendices are of some value to all.

CODE OF FEDERAL REGULATIONS, TITLE 19, CUSTOMS DUTIES:


REMARKS: These publications were listed as out of stock when this guide went to press, however, they will be reissued. The most current versions of the CFR can be easily accessed and reviewed from the GPO website and can be printed in total or part. These are must publications for any company engaging in a moderate to heavy level of import/export.

HARMONIZED TARIFF SCHEDULE OF THE UNITED STATES ANNOTATED FOR STATISTICAL REPORTING PURPOSES, THIRTEENTH EDITION . . . 2001. For use in classification of imported merchandise for rate of duty and statistical purposes. Available in CD-ROM or paper edition (on a subscription basis) $63.00
REMARKS: The HTSUS is readily available on the web and can be searched and/or downloaded in its entirety or in portions. Unless the importer/exporter is a manufacturer that is heavily involved in rules of origin because of the material content of its products, most research can be accomplished on the website. If that become inconvenient, then a subscription could be obtained.


REMARKS: An introductory book generally more suitable to those just starting in importing as opposed to experienced importers.


REMARKS: Unfortunately this book is out of stock but access to its contents is available (albeit somewhat inconveniently) from the Customs website.

SCHEDULE B: STATISTICAL CLASSIFICATION OF DOMESTIC AND FOREIGN COMMODITIES EXPORTED FROM THE UNITED STATES. SUBSCRIPTION. 1996. Subscription service: Domestic - $121.00 (first-class); S/N 903-009-00000-4 -- $135.00

REMARKS: This publication is readily available on the web and can be searched and/or downloaded in its entirety or in portions. If usage is frequent enough to make web site access inconvenient, a subscription can be obtained.

UNITED STATES EXPORT ADMINISTRATION REGULATIONS. A compilation of official regulations and policies governing the export licensing of commodities. Subscription price: Domestic - $116.00 (first-class); S/N 903-028-00000-9

REMARKS: This publication is most useful to those heavily involved in export of a changing product line and who have to obtain special licenses for same on a fairly regularly basis.


REMARKS: This publication is most useful to those who are heavily involved in volume importing or importing a broad variety of products. Alternatively, the bulletin and decisions are available on the Customs web site. This publication is order on the Customs web site.

WEB SITES

The following web sites provide information about importing and exporting. As previously stated, U.S. government emphasis is on exporting. Most importing information is available from U.S.
Customs. These web sites will provide direct and indirect access to many information sources on importing and exporting.

**www.export.gov** or **http://export.gov** - This is an export information portal or gateway site with links to virtually every government site that offers export assistance, information or services.

**www.customs.gov** or **http://customs.gov** - Click on “Importing and Exporting” to have access to many Customs forms, publications, a general information/frequently asked questions section, and other information related to importing.

**www.exim.gov** or **http://exim.gov** - This is the Export/Import Bank website. ExIm offers considerably financial help to exporters via its financing, loan and credit guarantee programs.

**http://census.gov/foreign-trade/schedules/b** - This website provides access to the official Schedule B Numbers publication. The publication can be browsed and it can be downloaded in whole or part.

**www.dataweb.usitc.gov** or **http://dataweb.usitc.gov** - This website provides access to the Harmonized Tariff Schedule of the U.S. (HTSUS). Select 2002 Tariff Schedules. The publication can be browsed and it can be downloaded in whole or part.

**www.iccwbo.org** or **http://iccwbo.org** - This is the International Chamber of Commerce web site. It will provide minimum information on INCOTERMS and ATA Carnets among other things. The ICC is the publisher of the INCOTERMS and the only source from which a copy of the complete terms can be obtained. Select “Products” to further information.

**www.uscib.org** - This is the U.S. Council for International Business website and it is a source for ATA Carnets and other information.

**www.gpo.gov** - This is the Government Printing Office (GPO) website. Information on government publications is available and they may be ordered here. By selecting “GPO Access” the entire Code of Federal Regulations (CFR) can be accessed for on-line research.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AD VALOREM</td>
<td>According to Value — term denoting a method for assessing import duty</td>
</tr>
<tr>
<td>ACCESSORIAL CHARGES</td>
<td>Charges applied in addition to base tariff rates for specific services, fuel fees, currency exchange, etc.</td>
</tr>
<tr>
<td>ADVANCE, ADVANCING</td>
<td>The act of moving cargo up the line to a vessel that is leaving sooner than the one booked</td>
</tr>
<tr>
<td>AGENCY FEE</td>
<td>Fee charged by a ship’s agent to the ship for services while in port</td>
</tr>
<tr>
<td>AGENCY TARIFF</td>
<td>A tariff published by an independent agent on behalf of multiple carriers</td>
</tr>
<tr>
<td>AGGREGATE SHIPMENT</td>
<td>A consolidation of multiple shipments to one consignee from multiple consignors</td>
</tr>
<tr>
<td>ALL RISK</td>
<td>Insurance term providing all loss or damage to goods is covered except that which is self-caused</td>
</tr>
<tr>
<td>ALONGSIDE</td>
<td>Means goods are placed on the dock beside or alongside a ship</td>
</tr>
<tr>
<td>APPRAISEMENT</td>
<td>Determination of dutiable value of merchandise by U.S. Customs</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>Insurance term meaning loss or damage</td>
</tr>
<tr>
<td>BAF</td>
<td>Bunker Adjustment Factor, a factor used to develop a charge to compensate the maritime carrier for fuel costs</td>
</tr>
<tr>
<td>BENEFICIAL OWNER</td>
<td>Owner of cargo or goods who receives the profits from the transaction</td>
</tr>
<tr>
<td>BILL OF LADING (B/L or b/l)</td>
<td>Contract of carriage between shipper and carrier</td>
</tr>
<tr>
<td>BILLED WEIGHT</td>
<td>Weight at which a shipment is invoiced</td>
</tr>
<tr>
<td>BONDED FREIGHT</td>
<td>Freight moving under U.S. Customs bond</td>
</tr>
</tbody>
</table>
BONDED WAREHOUSE
Warehouse authorized for storage of goods for which duty payment has been deferred

BOOKING
The act of arranging or making a freight space reservation with a maritime carrier

BUNKER CHARGE
An extra charge to cover higher fuel costs that is added to steamship rates

BROKER
A third-party service provider who negotiates terms for transportation of cargo, and/or who provides customs clearance and other services

BUNKER
Ship’s fuel or compartment where fuel is stored

CABOTAGE
Carriage of goods between points within the same country

CAD
Cash Against Documents

CARRIAGE OF GOODS BY SEA ACT (COGSA)
U.S. law covering liability for loss or damage to goods transported by maritime carriers

CARNET
A document allowing temporary import of goods

CARRIER
Individual or company owner or operator or a ship, truck, railroad or aircraft providing transportation services

CARRIER’S CERTIFICATE
Document required to release cargo

CARTAGE
Intracity freight hauling done by trucks

CERTIFICATE OF ORIGIN
Document required to import goods

CIA
Cash in Advance, a payment method in international trade

C&F
Cost and Freight

CIF
Cost, Insurance, Freight

CIF DUTY PAID
Same as CIF, except price includes estimated U.S. duty.
CIF&C  Same as CIF except seller’s price includes commission
CIF&E  Same as CIF except seller’s price includes exchange of currency
C&I    Cost and Insurance
CIP    Carriage & Insurance Paid
CLASSIFICATION  Act of describing merchandise in accordance with official US tariff schedules
CLEAN BILL OF LADING  Receipt for goods indicating they were received in good condition and without damage
COA    Contract of Affreightment
COGSA  Carriage of Goods by Sea Act
COMMERCIAL INVOICE  Document required in import/export transactions
CONDITIONALLY FREE  Merchandise free of duty if certain conditions are met
CONFERENCE  An affiliation of maritime carriers allowed to establish uniform rates and rules for transportation services
CONFIRMED LETTER OF CREDIT  A letter of credit from a foreign bank validated by a domestic bank
CONSIGNEE  Party to whom cargo is shipped or consigned — the receiver
CONSIGNOR  Party shipping cargo to consignee — the shipper
CONSULAR DECLARATION  Document sometimes required for import/export purposes
CONSULAR INVOICE  Document sometimes required for import/export purposes
CONTAINER | A unit into which cargo is loaded/placed, usually refers to 20-foot and 40-foot transportation units commonly used in maritime and rail transportation
CONTAINER SHIP | A ship that exclusively transports containers
COUNTRY OF ORIGIN MARKING | A marking placed in a conspicuous place the provides the English name of the country of origin of the article
CPT | Carriage Paid
CUSTOMS COURT | Court where a customs officer’s decision can be appealed
CUSTOMS BONDED WAREHOUSE | Warehouse where imported goods can be stored without payment of duty or taxes for limited periods
CUSTOMHOUSE | Government office where importation documents are filed and duties paid
CUSTOMHOUSE BROKER | Third party service provider, licensed to enter and clear goods through Customs for a client
CUSTOMS INVOICE | A document to declare value of imported goods
CWO | Cash with Order
DAF | Delivered at Frontier
DANGEROUS CARGO | Cargo subject to regulation as hazardous under international shipping rules
DDP | Delivered Duty Paid
DDU | Delivered Duty Unpaid
DEMURRAGE | Charge assessed for delays in loading or loading cargo
DEQ | Delivered Ex Quay
DES | Delivered Ex Ship
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETENTION</td>
<td>Charge assessed for delaying carrier equipment beyond allowed times</td>
</tr>
<tr>
<td>DEVIATION</td>
<td>A vessel going to a point, port or taking a course other than that described in documentation accompanying a shipment</td>
</tr>
<tr>
<td>DOCK RECEIPT</td>
<td>Acknowledges receipt of cargo</td>
</tr>
<tr>
<td>DRAWBACK</td>
<td>Refund of duty (up to 99%)</td>
</tr>
<tr>
<td>DUNNAGE</td>
<td>Materials used to stabilize or protect cargo when stowed within a ship’s hold, in a trailer or other carrier equipment</td>
</tr>
<tr>
<td>DUTY</td>
<td>Tax imposed by U.S. and other countries on imported goods</td>
</tr>
<tr>
<td>DUTY PAID VALUE</td>
<td>The CIF or FOB value plus duty</td>
</tr>
<tr>
<td>ENTRY</td>
<td>The entry of imported goods into a country</td>
</tr>
<tr>
<td>ETA</td>
<td>Estimated time of arrival</td>
</tr>
<tr>
<td>ETD</td>
<td>Estimated time of departure</td>
</tr>
<tr>
<td>EVALUATION</td>
<td>The value of merchandise as determined by Customs</td>
</tr>
<tr>
<td>EXD, EXQ</td>
<td>Ex Dock or Ex Quay</td>
</tr>
<tr>
<td>EXS</td>
<td>Ex Ship</td>
</tr>
<tr>
<td>EXIM BANK</td>
<td>Export/Import Bank, a federal agency that assists in financing exports via loan guarantees, insurance and other means</td>
</tr>
<tr>
<td>EXO</td>
<td>Ex Origin</td>
</tr>
<tr>
<td>EXPORT DECLARATION</td>
<td>Shipper’s Export Declaration</td>
</tr>
<tr>
<td>EXPORT LICENSE</td>
<td>License issued by governments that permits export of named goods to named countries</td>
</tr>
<tr>
<td>EXW</td>
<td>Ex Works</td>
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<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>FAS</td>
<td>Free Alongside Ship.</td>
</tr>
<tr>
<td>FC&amp;S</td>
<td>Free of Capture &amp; Seizure</td>
</tr>
<tr>
<td>FEU</td>
<td>Forty-foot Equivalent Unit, a forty-foot container</td>
</tr>
<tr>
<td>FMC</td>
<td>Federal Maritime Commission, federal agency charged with administering U.S. laws and regulations governing maritime services, rates and rules</td>
</tr>
<tr>
<td>FOB</td>
<td>Free on Board</td>
</tr>
<tr>
<td>FOREIGN TRADE ZONE</td>
<td>A location where imported goods may be placed to legally avoid payment of duty</td>
</tr>
<tr>
<td>FPA</td>
<td>Free of Particular Average, insurance term</td>
</tr>
<tr>
<td>FREIGHT FORWARDER</td>
<td>A third-party service provider that arranges transportation for shippers</td>
</tr>
<tr>
<td>FREIGHT RATE</td>
<td>The rate charged by a carrier (or some third party services) for transporting cargo</td>
</tr>
<tr>
<td>FTZ</td>
<td>Foreign Trade Zone</td>
</tr>
<tr>
<td>GENERAL AVERAGE</td>
<td>Insurance term referring to loss caused by voluntary sacrifice of a ship</td>
</tr>
<tr>
<td>GENERAL ORDER</td>
<td>Refers to a General Order Warehouse where merchandise for which proper entry has not been made is held</td>
</tr>
<tr>
<td>INCOTERMS</td>
<td>International Chamber of Commerce Terms of Sale</td>
</tr>
<tr>
<td>IMDG</td>
<td>International Maritime Dangerous Goods Code, regulations for shipping hazardous materials and wastes</td>
</tr>
<tr>
<td>IMPORT LICENSE</td>
<td>License issued by some governments permitting importation of goods</td>
</tr>
<tr>
<td>IMO</td>
<td>International Maritime Organization, organization that coordinates international maritime safety and practices, issues the IMDG</td>
</tr>
</tbody>
</table>
INHERENT VICE
A defect or quality of goods or their packaging which contributes to damage or loss

INVOICE
Document showing terms of sale

JETTISON
Voluntary dumping of cargo or other material to protect other property

LAND BRIDGE
A system of through rates and services offered by carriers from a foreign port to a U.S. port, then across land to another port, and then maritime carriage to final destination

LANDED VALUE
Wholesale market value at destination on day of discharge

LC
Letter of Credit

LETTER OF CREDIT
Document issued by bank at buyer’s request in favor of the seller

LIQUIDATION
The ultimate determination of duty - the point where Customs determines the duty rate and amount to be paid

LOI
Letter of Indemnity, document indemnifying a party against responsibility for loss, in order to receive a clean bill of lading

MANIFEST
A complete list of a ship’s cargo that is developed from bills of lading for all cargo on board

MICROBRIDGE
A system of through rates and services for transporting freight from an inland point to port and then by sea to a foreign port, and then overland to the final destination

NON-CONFERENCE CARRIER
A maritime carrier that does not belong to a conference that is allowed to set uniform rates and rules of service via exemption from antitrust laws

NON-CONTIGUOUS
Refers to states and territories not part of the U.S. mainland

OCEAN WAYBILL
Document issued by the shipping line that serves as receipt for goods and evidence of contract carriage

OPEN ACCOUNT
Sales term, meaning shipping of merchandise to consignee with no guarantee or payment
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEN RATES</td>
<td>Flexible pricing structures that are not subject to conference approval</td>
</tr>
<tr>
<td>PACKING LIST</td>
<td>An itemized list of goods in a shipping box, or other container with identifying information</td>
</tr>
<tr>
<td>PARTICULAR AVERAGE</td>
<td>Insurance term meaning partial loss</td>
</tr>
<tr>
<td>PERIL</td>
<td>A maritime insurance term denoting a hazard that may or may not be covered by the policy</td>
</tr>
<tr>
<td>PERILS OF THE SEA</td>
<td>Causes for loss of goods for which carrier is not liable</td>
</tr>
<tr>
<td>QUOTA</td>
<td>A limit on the amount of goods that can be imported or exported without restriction and/or payment of additional duties</td>
</tr>
<tr>
<td>SCHEDULE B</td>
<td>A schedule of export commodity classifications with numbers assigned to each description</td>
</tr>
<tr>
<td>SIGHT DRAFT</td>
<td>Form of Payment</td>
</tr>
<tr>
<td>SR&amp;CC</td>
<td>Insurance term - excludes loss caused by labor and civil disturbances and riots</td>
</tr>
<tr>
<td>TARE WEIGHT</td>
<td>Weight of the empty container or railcar</td>
</tr>
<tr>
<td>TERMS OF SALE</td>
<td>Denotes a number of terms that describe responsibility for payment of charges and other duties in international transactions, see Section 10</td>
</tr>
<tr>
<td>TEU</td>
<td>Twenty-foot Equivalent Unit - a freight container</td>
</tr>
<tr>
<td>WAR RISK INSURANCE</td>
<td>Separate insurance for loss resulting from any act of war, also covers loss caused by such things as mines, etc.</td>
</tr>
</tbody>
</table>