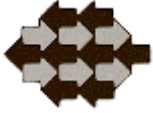




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Tradetalk

A ROGERS & BROWN NEWSLETTER

INT'L. FREIGHT FORWARDERS, FMC# 1194, CUSTOMHOUSE BROKERS, CBH# 4005, INT'L. AIR TRANSPORTATION ASSOC. IATA# 01-17027
October 2005

Hurricanes Katrina/Rita

What more can be said about a situation that has left so many homeless and helpless. As the coming weeks, months, and years of recovery and rebuilding occur much will be learned about what went right, what went wrong, and more importantly, how do we prevent this from happening again.

So much information and misinformation has been put out that it becomes more and more difficult to believe the media, the local and state governments, or the federal government at times. There are so many misconceptions about what role local, state and the federal government play that it is understandable that there is a tremendous amount of confusion during and after a storm such as Katrina or Rita. As the communities and states affected by these storms recover, hopefully individuals, businesses, and government agencies will begin to pay more attention to disaster planning. First and foremost individuals should understand that it is their own (or their family's) responsibility to be prepared and to make arrangements to move to a more secure location in the event of a disaster, especially a hurricane. Some disasters are simply hard to predict or prepare for and simply have to be addressed during and after they occur. Our hearts and our prayers go out to those individuals who have been adversely affected by these storms.

As always, individuals, corporations, faith-based organizations, and other charitable groups in our country have raised tremendous amounts of money and supplies to assist the victims of Hurricanes Katrina and Rita. As residents of the Charleston, SC area during Hurricane Hugo, many of us can certainly understand and relate to the headaches and heartaches of dealing with mass destruction and confusion associated with a large storm and how to recover from such a

disaster. It takes months and years to recover and the landscape is permanently scarred for those who remember what things “use” to look like, not to mention the apprehension for years during “hurricane season”. The American people are strong and resilient. They will rebuild and be stronger and more determined than ever to move forward. With more and more people living in areas that are prone to flooding, hurricanes, earthquakes, tornados, and other disasters, we must be better prepared to handle such natural disasters. Our local, state, and national government agencies must have better coordinated plans for disasters of this scale.

As much doom and gloom is preached and predicted, affected workers and businesses have no choice but to rebuild their businesses and rebuild their lives. Media and government agencies made dire predictions several weeks ago about total destruction and how it would take years for anything to get back to normal. They exaggerated numbers of deaths, rapes, murders, and countless other stories were perpetuated based on rumor rather than fact, raising the hysteria level to a greater degree than was necessary. As most of you know by now, most of the waterways and ports in areas in and around Louisiana, Mississippi, Alabama, and Texas have already reopened and are operational. There are still some highway and rail problems in those areas, but as a whole business is beginning to recover and rebuild.

During Hurricane Hugo Rogers & Brown was very fortunate not to have suffered the total destruction of our corporate office even though we were located adjacent to Charleston harbor. This experience made us realize the importance of a good Disaster Recovery Plan – we realized that we might not be so lucky the next time around. Shortly after Hurricane Hugo we contracted with IBM to provide us with a Business Recovery Program which allowed us to declare an emergency, be assigned a location to send our information systems staff to (with backup tapes) and become operational within two to four business days. As the logistics business has evolved we have continued to upgrade and update our plans. In today’s business world it is almost imperative that companies remain operational or at least be able to continue to provide support services regardless of a disaster situation. Rogers & Brown’s current disaster plan incorporates a secondary site whereby all of our remote sites can be switched over to a mirrored system in our Greenville/Spartanburg office within a few hours and that location has been pre-wired for data and telecommunications to accommodate a minimum of 40 staff members from our corporate office immediately with ramp-up capability to handle all our staff within a 48 hour period if necessary. Although operating at a somewhat reduced level, this location will offer all the services our corporate office now accommodates (operational systems, email and internet access). We understand that disaster planning is important to the survival of our own business and as importantly, to the survival of your business.

PierPASS Working Well

Earlier this year the Port of Long Beach and Los Angeles set up a program called PierPASS that allows truckers to pick up and deliver containers at off-peak hours. The extended gate hours run from 6 p.m. to 3 a.m. on Mondays through Thursdays and 8 a.m. to 6 p.m. on Saturdays.

According to recent surveys as many as 188,000 truck trips were diverted out of peak-hour weekday traffic to off-peak hours improving traffic flows during normal hours at both terminals and the freeways surrounding the 12 international terminals participating in the program. Although there have been glitches in the new system, for the most part it has been deemed to be a very successful program. The incentive for using the program is to avoid a \$40 per TEU charge if you pick up your containers during “peak” hours. The program started at a level that organizers thought would only occur after a couple of years. Other ports plan to initiate similar programs as a result of the Long Beach/Los Angeles program with Oakland running, having run a test program earlier in September with some terminals keeping gates open from 6:00 p.m. until 2:30 a.m. It is anticipated that more terminals will be forced to provide similar programs as word gets out about the success of the PierPASS and similar programs in California.

“Character is doing what’s right when nobody’s looking.”
J.C. Watts, Jr., Politician

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Customs Delays Wood Packaging Rule Implementation

Per our “Special Notice” published in September of 2004, APHIS adopted an international standard entitled “Guidelines for Regulating Wood Packing Material in International Trade”. These new rules called for the wood packing materials to either be heat treated or fumigated with methyl bromide, in accordance with the International Plant Protection Convention (IPPC) guidelines. Enforcement of these new guidelines was to have taken effect September 16, 2005, but Customs notified the public on September 14 that enforcement will be delayed per the following schedule:

September 16, 2005 – the Customs and Border Protection (CBP) will notify importers of non-compliant wood packing material until February 1, 2006, but take no other action unless infestation is noted.

February 1, 2006 – CPB will begin rejecting shipments (repacking non-compliant pallets and crates and re-exporting the non-compliant packaging) at the cost of the importer.

July 5, 2006 – Full enforcement. All wood packing material must be treated and marked. Non-compliant regulated wood packing material will not be allowed to enter the United States.

It is our understanding that Mexico has not delayed enforcement of pallet APHIS-PPQ has set up toll free numbers for questions pertaining to importation of wood packing material. In the United States and in some Canadian locations the toll free number is 866-738-8197 and for international shippers the number is (011) 301-734-5346. You can also access the final Federal Register notice (Vol. 69, No. 179, dated September 16, 2004) on our website under the Reference Materials section.

Commissioner of Customs and Border Protection Retires

At a meeting of senior staff on September 27, Commissioner Robert C. Bonner announced his retirement effective November 30 of this year. Bonner became Commissioner days after the terrorist attacks of September 11 and has been responsible for shifting the focus from primarily trade enforcement to border protection. Bonner was responsible for rolling out anti-terror programs such as the Container Security Initiative and Customs-Trade Partnership Against Terrorism and for the merger with the Border Patrol and agriculture inspection services as well as the transition to the Department of Homeland Security. Commissioner Bonner was well liked and respected within the Customs agency and to date no replacement has been announced. Deborah Spero, currently deputy commissioner, will likely fill the position on a temporary basis until the president appoints and Congress approves a new commissioner.

“Flexible people never get bent out of shape!”

Anonymous

Automated Export System (AES) Mandatory Filing

It is anticipated that the Final Rule for the mandatory electronic filing of all export information covered by Title 13, Chapter 19 will be published very soon. Both exporters and freight forwarders must be prepared for the upcoming changes. Some of the highlights of the proposed ruling are listed below per the Census Bureau:

The paper Shipper’s Export Declaration Form 7525-V (SED) will be eliminated. The Automated Export System (AES) must be used for all exports that require filing. The new name will be Electronic Export Information (EEI).

Filing Time Frames for compliance with the Trade Act of 2002

Vessel – 24 hours prior to departure from U.S. port where cargo is laden.

Air & Courier – 2 hours prior to departure from U.S.

Rail – 2 hours prior to arrival at the border

Truck – 1 hour prior to crossing the border

Post-departure applications will be accepted. USPPIs already approved for Post-departure filing will not need to reapply.

The current AES Exemption Statement will be called “Proof of Filing Citation”.

The ITN will be mandatory in the AES Proof of Filing Citation on bills of lading, air waybills, commercials invoices or other loading documents.

A new Proof of Filing Citation for shipments moving under the AES Downtime Policy will be required.

The Downtime Citation may only be used when AES or AESDirect are not available. If the Filer’s system is down, the filer will need to hold cargo or find alternative electronic means for filing.

Penalties will increase from \$100/day to \$1,000/day with a maximum of \$10,000 per violation. Penalties can be civil or criminal and carry up to 5 years in jail. Penalties can be assessed against USPPIs, Forwarders/Agents, and/or Carriers.

As you can see, there is a lot that must be done to ensure compliance once the final rules are in place and an enforcement date is identified. For a copy of the full Federal Register notice you can go to the Materials Reference section of our website. The Federal Register notice is in Vol 70, No. 32, dated February 17, 2005.

U.S. Imposes Quotas on Chinese Textiles

With the breakdown of talks between the U.S. and China regarding imports of textiles, the United States imposed quotas on imports of bras and certain expensive fabrics from China. As noted in our May 2005 TradeTalk, the U.S. Court of Appeals for the Federal Circuit sided with the U.S. Court of International Trade and lifted an injunction imposed by the Justice Department which opened the door for imposition of quotas on certain categories of goods. A decision by the Department of Commerce on additional quota limits on sweaters, robes, wool trousers, and knit fabrics has been delayed until October 1. These quotas are allowed because China’s accession agreement to the World Trade Organization (WTO) allowed “safeguards”, another term for quotas, to be imposed annually until midnight on December 31, 2008 if their imports flood the markets of other WTO members. After that date domestic U.S. and European Union textile industries would have to file antidumping claims against China in the WTO, something that is far more difficult to justify. The European Union, on the other hand, had impounded millions of unlicensed garments last year and just recently proposed to let in, without quota, half of the impounded garments. China has agreed, but it is still uncertain if the European Union’s 25 member states will go along. France, Spain, and Italy, in particular, have been reluctant to go along with these proposals, but it appears that a compromise might be in

the making. Look for continued imposition of quotas over the next several years – at least until December 31, 2008.

Peak Season West Coast Congestion – So Far So Good

With peak-shipping season upon us it appears that the ports of Long Beach and Los Angeles are handling the volumes fairly well this season. Volumes have picked up significantly since early to mid-August, but because of the congestion problems last year, many shippers and carriers have diverted their cargoes from southern California ports to northern ports such as Tacoma, which has increased volumes of over 50 percent, Seattle with increases over 40 percent and Oakland with increases in import containers up over 15 percent in August 2005 over August 2004. Even with these diversions, the port of Long Beach had their highest monthly total ever with 306,124 TEUs. The port of Los Angeles actually had decreases in imported containers every month this year until August when it had an increase of only 1 percent. Along with diversions to northern West Coast ports, new all water services to the East Coast, changes such as PierPASS, and the Alameda corridor have helped to speed the movement of containers off the ports and likely have contributed to less congestion. Word from our Far East partners indicates that they are experiencing fully loaded outbound vessels from Hong Kong and other Chinese ports. Shipping lines hope to extend their peak-season surcharge through January 31, 2006 on all-water services from Asia to U.S. East Coast ports. This \$400 per-40-foot peak-season surcharge was due to expire in November of this year, but increased carrier costs and strong vessel utilization rates warrant an extension of the surcharge according to the Transpacific Stabilization Agreement. On the other hand, surcharges will end November 30th for Asia to U.S. West Coast bound shipments. The Trans-Atlantic Conference Agreement announced September 29 that it has suspended its congestion surcharge at the Ports of Los Angeles-Long Beach, this time through October 31. The lines in the conference, which include Atlantic Container Line, Hapag Lloyd, Mediterranean Shipping Co., Maersk Sealand, NYK Line, Orient Overseas Container Line, and P&O Nedlloyd, intend to announce further plans for the surcharge before November 1. When in effect, the charge had been \$200 per 20-foot and \$400 per 40/45 foot container. Hopefully cargoes will continue to move smoothly throughout this peak season period and these lines will not need to re-introduce these surcharges.

“There are no secrets to success: Don’t waste time looking for them. Success is the result of perfection, hard work, learning from failure, loyalty to those for whom you work, and persistence.”

General Colin Powell
U.S. Army (retired)

Informed Compliance Guides

For information about informed compliance and how it relates to your business please check out this Bureau of Customs and Border Protection website -

http://www.cbp.gov/xp/cgov/toolbox/legal/informed_compliance_pubs/.

This site includes a complete list of publications for “What Every Member of the Trade Community Should Know About.....” New publications are added periodically and a recent publication of interest is Bona Fide Sales & Sales for Exportation to the United States. These guides contain a great deal of helpful information for the trade community.

Customs and Border Protection (CBP) Eases Rules for ACE Test

Customs continues to make minor enhancements and changes to the Periodic Monthly Statement test with the goal of expanding the number of importers willing to participate in order to get more duties paid monthly instead of daily. In an August 8th Federal Register notice, Customs announced they will push back the due date for the monthly payment from the 15th calendar day to the 15th business day. This change actually conforms with the legislation passed last December. They are also loosening restrictions on what types of entries could not be eligible for monthly payment. Effective August 1, entries with Census errors can be placed on the monthly statement for payment. This leaves only entries subject to reconciliation, entries with estimated excise taxes due, and entries subject to NAFTA duty deferral. In a Federal Register Notice dated September 22, CBP eliminated the bond rider requirement covering periodic payment of estimated duties and fees. This easing only affects the use of bond riders to cover the payments. CBP retains the right to impose sanctions on a delinquent importer of record or to allow the surety to terminate its basic importation bond in the event of nonpayment or untimely payment of the estimated duties and fees. The ACE National Customs Automation Program (NCAP) gives participants access to operational data through the ACE Secured Data Portal (ACE Portal). NCAP allows participants to interact electronically with CBP. It also permits the participants to deposit estimated duties and fees on a monthly basis based on a Periodic Monthly Statement generated by CBP. For more information on ACE and how your company can participate and how it might impact your company, check out the following website - <http://www.customs.ustreas.gov/xp/cgov/toolbox/about/modernization/>. You can also check out the Materials Reference Section of our website for recent Federal Register notices.

South Carolina Offers Tax Incentives for Increased Trade

South Carolina Governor Mark Sanford has signed into law a bill offering tax incentives to distribution centers and other companies that increase their international shipments through the state’s ports. The “International Trade Incentive Program” provides tax incentives to companies increasing cargo volume through port facilities in the state. The program is geared toward drawing distribution centers and other international shippers, while also rewarding existing companies for expanding within the state. According to Governor Sanford, this legislation puts South Carolina on a level playing field with its neighboring states of Georgia, North Carolina, and Virginia who have similar incentives and have successfully attracted distribution centers.

Companies that meet the requirements may earn job tax credits of up to \$1,500 per job or an investment tax credit up to 6 percent. Importers and exporters who increase throughput by at least 5 percent over 2005 volumes are eligible for the incentives. Base year cargo volume must be at least 75 net tons of non-containerized cargo or 10 loaded twenty-foot containers. The base year will be reassessed every 10 years. Qualifying companies should take special note that 2005 will be the base year for the program. It will be critical that qualifying companies have an accurate count of their 2005 SC port volumes to take advantage of these incentives in later years. For more information on how your company may take advantage of the incentives please contact your SCSA salesperson or call the Marketing and Sale Department at 1-800-382-1721 or 843-577-8101.

Make Your Mark Count

**A child's life is like a piece of paper on which every person leaves a mark.
Chinese Proverb**

Free Trade Agreements

With five regional Free Trade Agreements and almost a dozen Bilateral Free Trade Agreements, it is sometimes difficult to keep up with the status of all of them. The following website contains a world of information about these various agreements and/or provides links to detailed information regarding the status of their approval by various countries, implementation schedules, and final text of the various agreements -

http://www.ustr.gov/Trade_Agreements/Section_Index.html. Bookmark this important site for future reference on agreements important to your company.

Helpful and Interesting Websites

Tips for New Importers & Exporters -

http://www.customs.ustreas.gov/xp/cgov/import/communications_to_industry/diduknow.xml

Financing Exports - http://www.trade.gov/td/tic/resources/export_finance.htm

Ocean Container Specifications - http://www.rogers-brown.com/container_specifications.html#OceanContainerSpecifications

Department of Commerce Export Licensing Requirements -

<http://www.bxa.doc.gov/licensing/facts1.htm>

All of these and more interesting and helpful links can be found on Rogers & Brown's website. Visit it often for new updates.

CBP AND DHS TO REQUIRE MORE INFO ON US-BOUND SHIPMENTS

According to container shipping lines they have been warned by the U.S. Customs and Border Protection and Department of Homeland Security that more information will be required on Bills of Lading (BOL) in the near future. They are looking to improve the quality of data used in conducting risk assessments on containerized cargo because the information on an ocean carrier's bill of lading by itself is not sufficient for cargo security screening. In addition to more information, another regulation is being drafted that will require a Container Seal Verification Rule which would require ocean carriers, either directly or through its terminal operator agent, to verify the container seal on each loaded container destined for the United States. This includes ensuring that the seal is an ISO high security seal, that it is intact, and that its number matches the seal number on the shipping documents/bill of lading. Watch for new requirements before the end of this year according to carriers. Security is still a very important issue in the current environment we live in and it behooves all of us to continue to improve our supply chain security procedures.

Fuel Costs – Transportation Impact

Last but not least, the impact of Hurricanes, Katrina and Rita have had an immediate impact on fuel costs. Most of you are aware that Delta and Northwest Airlines both recently filed for bankruptcy. Although they both were in financials straights prior to these hurricanes disrupting our oil and gas supplies, the hurricanes cast a final blow to the remote possibility that they might avoid this. As has been noted in the media, oil production, oil pipelines, and refineries have either been destroyed or damaged to the point of delaying production or delivery in the short to mid-term. Various predictions vary about the long-term impact of these storms, but it is difficult to know for sure just how things will look a year or so down the road. Many analysts are predicting that with the continued growth in China, India, Pakistan, Mexico, and other less developed countries, oil and gas consumption will outstrip the supply, production, and refining capabilities. In the short to mid-term all logistics carriers will be forced to either maintain or increase fuel surcharges to cover these additional costs which will add to all shipper's product costs – this is a given. Longer term, it is believed that alternative fuels, coupled with new refineries, and new oil drilling will be necessary to wean our country from dependence on foreign oil and to replace our dwindling supplies of available domestic oil.

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THANK YOU FOR YOUR CONTINUED SUPPORT!

If you have any suggestions or complaints, please call one of the individuals below at 843/577-3630 or email them as noted.

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