

Report to the Executive Committee of the
Household Goods Forwarders Association of America, Inc.

Prepared by
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Commercial Affairs Committee
Marriott Marquis – New York, New York
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Shipper's Guide

Working in concert with Boris Populoh, Heather Engle continues to update the Shipper's Guide information in the HHGFAA website. Since the Associate Member Management Board has been doubled, Heather is now requesting country/customs information from these new representatives and expects to develop more frequent updates as a result of this revised structure. When the information is received, Boris Populoh, of the HHGFAA staff, posts the information on the HHGFAA website for all members to access. While we have several countries to enter, the Guide is useful and effective.

Uncontrolled Costs due to Customs Inspections and Port Service Charges

Through Boris Populoh, we have been collecting information from Association members in an attempt to build a reliably informative database of experiences. That project has been progressing much slower than we expected, but we remain interested in those experiences for their potential influence vis a vis uncontrolled penalties by the shipping industry and claims as a result of full customs inspections.

The Committee recognizes that the complaints have faded away in the past year. Speculation is that any of three things has occurred.

- The frequency and severity of the inspections and costs as declined
- The issue is limited to only a couple of ports.
- The industry has accepted the charges as part of the cost of doing business
- All of the above

The Committee has decided to continue to encourage members to share their experiences by reporting them to Boris Populoh for inclusion in the database of occurrences. Also, we will draft a letter to U.S. Customs informing them of our experiences and the impact these events have on the industry and the shipper; and to request their direction on how we might help improve the situation.

We will also write articles in the e-Portal and Portal Magazine, reminding members to tell us of their experiences.

FMC Licensing

This is the new hot issue for our members. Largely due to the emergence of "rogue" forwarders and resulting complaints from the public, the Federal Maritime Commission has strengthened its position on licensing and is enforcing their rules.

Anyone handling household goods shipments to and from the United States must be licensed as an Ocean Transportation Intermediary (OTI) There are three options under this heading: you can be licensed as a Freight Forwarder, a NVOCC (non-vessel-owning-common-carrier), or both.

As a freight forwarder, you can act as a shipper's agent, allowing you to represent your client to the ocean carrier and to book those ocean services, including intermodal services, up to the destination port. The ocean services cannot be marked up and destination services cannot be arranged by a freight forwarder. This option does not require the publishing of rates, and the forwarder can only collect a negotiated and revealed fee from the shipper and negotiated commission from the transportation provider.

The other option is to be an NVOCC. This choice allows the forwarder to make all the arrangements and to add a margin of profit for doing so. In this case, the NVO must publish its rates.

Prior to now, many of our members engaged in commercial NVOCC operations participated in the Association's FMC port-to-port tariff. Recently the FMC mandated that we can no longer operate that way and all persons engaged in door-to-door operations must file and publish a tariff which covers those services. In this way, the FMC feels it has gained greater control over and protection against shipper abuse, and has allowed for recourse to the customer.

Mr. Wohlstetter, our General Counsel, pointed out to the FMC the impossibility of creating a tariff for all possible combinations of household goods moves worldwide, and an agreement was brokered which allows forwarders and NVOs to publish the rate of booked orders only; not quotes or proposals.

Under the rules, you must be an Ocean Transportation intermediary. Within that framework, you can elect to be a Freight Forwarder, an NVOCC, or both. The licensing process requires an application, a bond in the amount of \$50,000 (Freight forwarder) or \$75,000 (NVOCC), plus fees ranging from \$825 for a new OTI application, to \$525 to amend an existing license; and approval by the FMC. Effective this month, applications can be filed electronically, which reduces the fee from \$825 to \$250, and from \$525 to \$125 for an amendment. All the instructions, application forms and details can be found at the FMC's website, www.fmc.gov.

There are a number of tariff publishing services available who will handle all the rate publishing requirements for license holders. Mr. Wohlstetter has negotiated favorable rates for members with two of them. Sumner Tariff Services, Inc. and Distribution-Publications, Inc., but there are 20 or more services like this available to you. Search for Tariff Publishers through your favorite search engine.

If you are forwarding household goods shipments and you are not licensed by the Federal Maritime Commission, you need to get licensed. Fines if caught operating without a license, are heavy; anywhere from \$6000 to \$30,000 per occurrence. And the FMC is actively enforcing.

The Commercial Affairs Committee is committed to dispersing this information to all its members through its public meetings, articles in the Portal and e-Portal and through direct communication, encouraging all members to review their license(s) and the current requirements, to assure compliance. The HHGFAA Code Of Ethics expects, among other things, that (1)members shall conduct business in a responsible and professional manner, and (2)members shall strive to comply with all applicable laws and governmental regulations.

Fact Sheet

Federal Maritime Commission Licensing

Businesses engaged in the international forwarding of household goods and personal effects must be licensed Ocean Transportation Intermediary (OTI)

- Freight Forwarder
Application and fee
\$50,000 Bond
Need not publish rates-but cannot mark up ocean rates
- Non-Vessel-Owning Common Carrier (NVOCC)
Must publish rates
Application and fee
\$75,000 Bond
Must publish rates-includes profit margin

Tariff Publishing Services

Sumner Tariff Service, Inc
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Full FMC instructions, fee schedules and forms available at www.fmc.gov

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