



OTI MONTHLY RISK MANAGEMENT ALERT

July 2007

CHINA (MOC) WARNS OCEAN CARRIERS: ACCEPT CARGO ONLY FROM REGISTERED NVOCCs

MOC NOTICES. On June 14 and June 19, 2007, the MOC issued Notices to ocean carriers that they must immediately stop doing business with non-MOC licensed NVOCCs. Significant penalties will be imposed for ocean carriers that violate this regulation. The carrier members of the Trans-Pacific Stabilization Agreement have been counseled to take serious steps in policing this rule. NVOCCs can expect rough going on the high seas in the U.S.-China trade lanes.

NVOCC CONFUSION. Some NVOCCs have complained to the Federal Maritime Commission that there are certain compliance issues in play that could bring major disruption to the U.S.-China trade lanes. These are:

- The basic MOC requirement is that U.S. NVOCCs must pay a 800,000 RMB cash deposit, and a 200,000 RMB cash deposit for each branch operated in China;
- U.S. NVOCCs who are late coming to registration are being told different things than those who registered in 2004, 2005, 2006, especially with regard to the branch office deposit requirements; the earlier registrants did not have to make deposits for each branch office;
- Similarly, U.S. NVOCCs who registered earlier have been given the ability to work in the cross trades (non-U.S. lanes) without having to comply with the general RIMT requirements;
- Some U.S. NVOCCs obtained the Optional PRC Rider (increased the \$75,000 bond to \$96,000) that the MOC previously agreed would satisfy the PRC requirement.
- Some NVOCCs, even with the larger bond amounts, are now facing the following problems:

- a) the MOC may request that these NVOs deposit the 800,000 RMB, and 200,000 RMB per China branch anyway;
 - b) the MOC may limit these NVOs to the U.S.-China trade lanes unless they provide the above deposits.
- There is also some confusion about whether an NVOCC can circumvent these problems by employing a Class A forwarder as their Chinese agent.

U.S. OFFICIAL REACTION. FMC, State Department, MARAD officials, and industry representatives, including this editor, met yesterday (July 19th) to review the above issues, and to seek a coordinated effort through the State Department to seek clarification from the MOC on these issues. The emphasis will be to seek a consistent, fair approach to implementation of these regulations so that the NVOCC, VOCC, and U.S. shipping communities are not unfairly prejudiced. It could be that the net result, as an alternative to the Chinese deposits, will be the insistence by the U.S. that the Chinese give proper deference to U.S. law and the MOC's prior agreement to accept these bonds. In that case, NVOCCs will be seeking to obtain the appropriate increases of their bonds pursuant to Docket 04-02 in greater numbers. The FMC advised that currently only 68 NVOCCs have obtained these China bonds.

WHAT TO DO? If you wish to be kept informed on this topic, drop us an e-mail. If you desire to provide additional information to the Federal Maritime Commission to include in these dialogues, you may contact the Federal Maritime Commission directly, or you can let us know and we will provide some guidance on how to provide this information. If you are denied access to space by ocean carriers in the U.S.-China trades, and need some assistance, also contact us.

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