

Japan’s ocean advanced filing rules (AFR):

What you need to know

The “cloud” and cargo

By Chris Jones, Descartes Systems Group

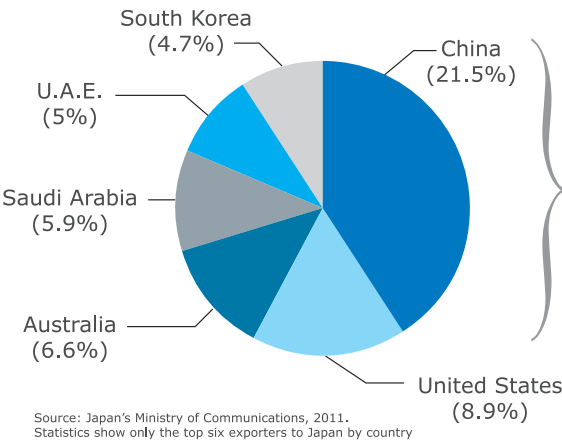
We’ve all heard about, and experienced, the rising tide of global security filing regulations. Japan has recently enacted Advanced Filing Rules (AFR) for marine cargo, also called ‘JP24’ by the trade, which add another pushpin on the global regulatory map. Enactment of Japan’s Advance Filing Rules brings the Japanese requirements in line with the World Customs Organization’s recommendations under the Framework of Standards to Secure and Facilitate Global Trade (SAFE).

What does this mean for the community involved in managing shipments to Japan? Here’s what you need to know to get prepared now.

REGULATION BASICS

Beginning March 2014, vessel operators and NVOCCs will be required to electronically submit to Japan Customs information on maritime container cargo to be loaded on a vessel intended to entry into a port in Japan. Paper filings will no longer be accepted. In principle, these filings should be submitted no later than 24 hours before departure of the vessel from a port of loading. However, unlike other global advanced manifest regulations, the exact timing for AFR filings to Japan Customs will depend on where the cargo originated and to what Japanese port the freight is destined to arrive.

While the vessel operator or NVOCC are the parties responsible for the AFR filing, in order to ensure compliance they must obtain the necessary data elements from the shippers. As such, shippers will likely receive requests for information on data elements from their vessel operators and/or NVOCC. Shippers will need to ensure that the appropriate data



can be provided in an accurate and timely manner to their logistics service provider.

INDUSTRIES & TRADE LANES MOST AFFECTED

Japan is the world’s third largest importer after the United States and China. The Statistics Bureau of Japan reported that in 2011 Japan’s top imports include petroleum, raw materials, foodstuffs, cloth-

ing and other manufactured goods.

FILING EXEMPTIONS

only current exemptions include empty containers and maritime container cargo not to be discharged in Japan.

OCEAN AFR DATA ELEMENTS

Japan’s Ocean AFR data elements are based on the WCO SAFE Framework and pull elements from both the ocean master and house bill of lading. There are requirements for detailed cargo descriptions, based on Harmonized System (HS) Code at the 6-digit level.

In addition to requiring more data elements, the quality of the information transmitted will also be of key importance. For example, in the ‘Description of Goods’ field, it will no longer be acceptable to simply state that a shipment contains ‘apparel’. Instead, the field must be populated with a more detailed description, such as “Women’s knitted shirts, 100% cotton.” Additionally, some fields may require further party and sourcing information. Under the current rules, for example, including only a consignee’s name is acceptable. Under the new AFR rules, a consignee’s full address, telephone

number and country code will be required. Japan Customs has stated that incomplete filings will not be accepted.

PENALTIES FOR NON-COMPLIANCE

Japan Customs has noted that “penal provisions could be applied” and that cargo may not be unloaded “without the permission of discharge by Customs.” In addition, the agency has stated that those who do not submit cargo information may be “liable to imprisonment with labor for up to a maximum period of one year or a fine not exceeding five hundred thousand yen.”

HOW TO FILE

Submissions from foreign ocean AFR filers cannot be made directly to Japan Customs. All foreign filings need to be made through service providers authorized by Nippon Automated Cargo and Port Consolidated System, Inc. (NACCS Center). This is because the filing system must be located in Japan. The NACCS Center is responsible for import/export processes and customs-clearance services in Japan. It serves as an intermediary or ‘hub’ between the trade and Japan Customs. Authorized service providers for Japan Ocean AFR compliance should provide a variety of flexible options to meet the needs of filers that range the gamut in terms of size and level of technical sophistication. Market leading providers will offer user-friendly solutions that can be readily accessed via the web and enterprise-class solutions that are pre-integrated into the shipment management and/or global regulatory compliance platforms their customers are already using – making the process as seamless as possible. Authorized service providers can also help filers obtain a Reporter ID, a designation similar to a Standard Carrier Alpha Code (SCAC) in the United States. A Reporter

Additional data elements that will be required under Japan’s Ocean AFR

- ✓ Consignee full address, telephone, country code
- ✓ Consignor full address, telephone country code
- ✓ Notify-party full address, telephone, country code
- ✓ Harmonized System Code (HS Code)
- ✓ Port of origin
- ✓ Place of delivery
- ✓ Fixed date of departure at the port of loading
- ✓ Master and House bill of lading number(s)
- ✓ Seal number
- ✓ International Maritime Dangerous Goods (IMDG) code
- ✓ United Nations Dangerous Goods (UNDG) identifier
- ✓ Distinguishing presence of absence of information about relaxing application to the deadline for filing<sup>(M)\*</sup>
- ✓ Distinguishing the presence of absence of information about the House Bill of Lading<sup>(M)\*</sup>

(M) For Master Bills of Lading Only  
\* Optional data element depending on the originating country

Cloud-based rate management computing has helped Peruvian forwarders and non-vessel operating common carriers (NVOCC). For these third parties, who facilitate the lion’s share of international trade, managing the complexities of ocean freight contracts is a daunting and daily task. Not only do transport rates vary significantly by carrier and lane but a myriad of surcharges and other fees that add to total freight costs are presented differently in each contract. It is this array of numbers and fine print on which third parties must rely, however, when seeking cost and service options that best serve their clients’ needs. Historically, providers have had little choice but to manually sort and compare rate/service options and then communicate quotes via email, resulting in frustrating delays and, often, suboptimal offerings.

The transformation that cloud-based collaborative solutions can bring to this picture is illustrated by the IFS Group, a full-service global freight forwarding company based in Peru. Established in 2000, IFS employs more than 90 people and over 5000 agent partners worldwide to handle a large volume of import and export shipments between Peru and the rest of the world. Most of the company’s business is generated through internal sales efforts and the company routes 90 percent of its own shipments.

“We have more than 5000 overseas agents/partners and over 1000 local customers and it is a very intensive task to communicate with all of these parties on a day-to day-basis,” says Reynir Gislason, president of IFS Group. Previously, IFS consolidated transport rates in programs like Microsoft Excel and Adobe Acrobat, where they were manually sorted, Gislason explains. Quotations were sent to customers via email.

Gislason says this process gave IFS “very limited visibility into our best transport costs and terms as well as limited ability to measure success in our quotations.” He estimates that the company’s quotation success rate was no better than 20 percent. Moreover, staff members often were unable to connect with agent partners due to global time differences, which further delayed responses to customer rate requests.

These recurrent problems led Gislason in 2012 to implement the CargoSphere Rate Network (CRN) and cloud-based rate management software. CRN is designed to simplify and accelerate collaboration between forwarders and their agents in a secure, confidential and client-controlled process. Both parties must mutually authorize a rate collaboration, which can then be executed in minutes.

“It is not often that we come across ground-breaking information technology like CargoSphere in our industry,” says Gislason. “With CRN, partners share their service contract rates in a very intuitive way, which greatly enhances our joint service scope; it also minimizes our rate management work.”

IFS is now able to quickly compare air and ocean carrier rates as well as the rates and terms of its overseas partners, Gislason says. “Our success depends on our being the cost leader in a highly competitive market. CargoSphere enables to do that by consistently providing our customers with the best cost and service options.”

Response speed is another critical competitive factor that IFS has improved with CRN, Gislason says. “We have to react very quickly to market trends. Our commercial staff now can provide clients with quotes quickly, accurately and interactively – all with complete traceability,” he says.

The IFS commercial staff also is more flexible than before, since CargoSphere works with any device, including laptops, tablets and phones. Additionally, it gives IFS the ability it needed to measure commercial staff progress against targets. “Today, we know that our quotation success rate has reached 60%, which means that CargoSphere has improved our sales by as much as 40%,” says Gislason. “And we continue to see steady improvements in volume and revenue.”

Gislason also notes that deployment of CargoSphere was fast and simple because the application operates in the cloud. “System training is through Webinars and there is a professional team of trainers who are always available on a short notice. This was one of the keys to our quick implementation success,” he says.

Based on its positive experience with CargoSphere, Gislason decided to convert all of IFS’s operations to cloud-based business applications. IFS, the only company in its field in Peru with such a high level of technology and customer satisfaction, has improved significantly as a result, Gislason says. “In fact, we have reached the point where business wins are not based only on having the lowest price; customers are willing to pay more for our technology. To me, this is the ultimate validation of our investment in IT systems like CargoSphere.”

(ENHANCE – continued from page 4)  
Montreal with the key US Midwest market.

In an interview with *AJOT*, he suggested that the MOU reflected “a natural evolution that would have happened with or without free trade negotiations. All ports stand to benefit from freer trade.”

The MOU seeks “to develop partnerships between the Parties in the fields of branding, operational best practices, compliance and business development cooperation.”

Among other things, the MOU calls for the organization of a joint commercial event once a year alternatively in Antwerp and Montreal. Such an event is scheduled to take place in Antwerp in mid-September of this year. It also provides for an exchange of non-confidential information on port operations, customs, safety and sustainability matters.



Current Versus New Advanced Manifest Requirements in Japan

	Current Rules	New AFR Rules	WCO’s SAFE Guidelines
Filing Deadline	24-hours before arrival at Japanese port	24-hours before departure of the vessel from the port of loading	Before departure of the vessel from the port of loading
Responsible Party	Captain of vessel	Vessel operator or NVOCC	Vessel operator or their representative
Electronic Submission	Optional	Required: No paper accepted	Required: No paper accepted

(ADVANCED – continued from page 14) ID will be required to file a Japan Ocean AFR submission.

IMPLEMENTATION TIMELINE

The rollout of Japan’s AFR is structured in a tiered approach. The implementation will cover several areas including operational considerations, technical plan-

ning and development as well as a communications initiative. All three areas have already begun and will continue toward the ultimate goal of a March 2014 rollout. The below chart summarizes the current planned implementation schedule. Key service providers are already currently developing plans for our customers to begin testing.

(PROFITS – continued from page 10) would contribute most -- some \$4.2 billion -- to the increase in global industry and would, as the carriers of some 40 percent of world air cargo, benefit most from its recovery.

European carriers were expected to be among the weakest performers this year with expected profits of \$800 mil-

lion, more than double the \$300 million last year but exposed to any further euro zone crisis.

North American airlines, he said, were now expected to record profits of some \$3.6 billion this year, up almost 50 percent on 2012. Middle East carriers were likely to return profits of \$1.4 billion against \$900 million last year. (Reuters)

(PLAN – continued from page 11) concession to be the VPA’s terminal operating company. Those proposals were submitted to the state’s secretary of transportation last April and December, respectively, under the Public-Private Transportation Act of 1995.

After careful analysis and consideration of the risks and opportunities the board determined that the retention and improvement of the public sector operator is a more attractive opportunity for the Commonwealth of Virginia. In making its determination, the board took into account a number of factors, including the following:

- The analysis of cash flows calculated for the APMT and VPP proposals and the public sector comparator shows that the public sector comparator provides more net cash flow as compared to the best achievable proposal. The analysis includes operational changes and execution of key structural business model changes;
- An analysis of the revenues and cargo volumes forecast by APMT and VPP as compared to revenues and cargo volumes forecast by the public sector comparator shows that the public sector comparator is comparable to a concession;
- The belief that the public sector comparator has the ability to generate sufficient revenue over time to allow the VPA to service its existing debt and fund the capital expenditures described in the VPA’s updated 2040 master plan;
- While both PPTA proposals present an opportunity for the VPA to acquire APMT’s marine terminal in Portsmouth, the VPA already has control of this facility until 2030 pursuant to the lease between the VPA and APMT;
- Cargo volumes at the Port of Virginia are beginning to show improvement following several years of slow growth. Calendar year 2012 was the port’s second best year on record in terms of cargo volume and the port is off to a strong start in 2013. Given the port’s improving market outlook, the Board does not believe it is beneficial to implement a concession at this time; and

- Given the port’s natural and infrastructure advantages and position on the East Coast, combined with the future prospects of significant changes in shipping trends as a result of the Panama Canal Expansion, the increased use of the Suez Canal, and the move to substantially larger cargo vessels, now is not the optimal time to concession operations at the Port of Virginia.

“We thank both of the companies that put forth proposals because their very real interest in The Port of Virginia, I believe, affirms a long-held belief within the industry that Virginia is home to the premier port on the US East Coast,” Fralin said.

Last fall, after a year of discussion, the VPA brought forth its proposal to restructure VPA and VIT and the board began its consideration of the plan in parallel to the privatization offers. The focus of the reorganization is to create a more unified – streamlined -- organization focused on port growth, improved communication between the two entities and creating efficiencies across the board.

(PROVIDED – continued from page 12) course, LNG can be imported into Puerto Rico from overseas any time. If there is sufficient demand for LNG or other bulk cargoes, the American maritime industry will meet that demand, just as it has provided regular, reliable and cost-effective service for decades in other Puerto Rico shipping trades where a demand exists.”

CALENDAR OF EVENTS

For more in-depth calendar & event listings go to [www.ajot.com](http://www.ajot.com).  
To add to the calendar listings go to: [cal@ajot.com](mailto:cal@ajot.com).

- 04/09- 04/11
- The *Critical Commodities Conference* will be held at the Hilton Riverside in New Orleans, LA. For more information contact James Baldwin at (504) 588-2981 or email: [j.baldwin@sailsla.com](mailto:j.baldwin@sailsla.com).
- 04/10
- Westconn International Trade Association will hold a business meeting at Giovanni’s WaterEdge in Darien, CT starting at 6:00PM. For more information go to [www.westconn.org](http://www.westconn.org).
- 04/16- 04/18
- TIACA will host its *Executive Summit* at the Dallas/Fort Worth International Airport. For more information go to [www.tiaca.org](http://www.tiaca.org).
- 04/17
- The International Commerce Club will host its *3rd Annual Wine Tasting Event* at the LaReggia Restaurant in Secaucus, NJ starting at 6:00PM. The cost is \$75.00 per person. For more information email: Karin Alfonso at [karinkalfonso@gmail.com](mailto:karinkalfonso@gmail.com).
- 04/17
- The Propeller Club of Baltimore will hold its *Spring Luncheon* at Jimmy’s Famous Seafood starting at 11:30AM. The cost is \$40.00 per person. For more information contact Janell Rotella at [janellpcob@gmail.com](mailto:janellpcob@gmail.com).
- 04/18
- The Traffic Club of Newark will hold its *Intermodal Rail Night* at the Galloping Hill Inn in Union, NJ starting at 6:00PM. The keynote speaker will be Andrew Westhoff of FECR. For more information contact Jim Kelly at 1-800-966-0008 or email: [Jamesk@targettrans.com](mailto:Jamesk@targettrans.com).
- 04/21- 04/24
- The National Shippers Strategic Transportation Council will host its *NASSTRAC Shippers Conference & Transportation Expo* in Orlando, FL. For more information go to [www.NASSTRAC.org](http://www.NASSTRAC.org).
- 04/22- 04/24
- The Intelligent Transportation Society of America’s *ITS America 23rd Annual Meeting & Exposition* will be held at the Gaylord Opryland Resort & Convention Center in Nashville, TN. For more information contact Eliana Velez at [evelez@itsa.org](mailto:evelez@itsa.org).
- 05/01, 05/02
- The Intermodal Association of North America will host its *2013 Intermodal Operations & Maintenance Seminar* at the Oak Brook Hills Marriott Hotel. For more information go to [www.intermodal.org](http://www.intermodal.org).
- 05/08
- The Foreign Commerce Club of New York will host its *Spring Golf Outing* at the Beaver Brook Country Club in Annandale, NJ starting at 12:00PM. For more information go to [www.fcnewyork.com](http://www.fcnewyork.com).
- 05/14- 05/16
- United Fresh 2013* will be held at the San Diego Convention Center in San Diego, CA. The guest speaker will be Morning Joe Duo of MSNBC’s *Morning Joe* show. The keynote address will be given by Walter Rubb, Whole Foods co-CEO. For more information email: Shelby Rajkovich at [srajkovich@unitedfresh.org](mailto:srajkovich@unitedfresh.org).
- 05/15- 05/17
- The *International Furniture Transportation and Logistics Council* will host its 53rd Annual Conference at the Lago Mar Resort and Beach Club in Ft. Lauderdale, FL. For more information email Russ Matthews at [Russ111@comcast.net](mailto:Russ111@comcast.net) or go to [www.iftlc.org](http://www.iftlc.org).



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