

Memo

To: **Our Valued NVOCC Members**
Subject: NVOCC Service Arrangements (NSA)
Date: August 22, 2018



The U.S. Federal Maritime Commission (FMC) requires all freight rates and surcharges applied on NVOCC house bills of lading (HB/Ls, or equivalent shipping documents) for shipments to/from the USA to be carefully documented using either:

- 1) Tariff rate filing in the NVOCC's tariff, or
- 2) NVOCC Negotiated Rate Arrangement (NRA), or
- 3) NVOCC Service Arrangement (NSA).

NVOCCs may use any of these three alternatives to satisfy FMC's requirement. By this memo we introduce the key features and benefits of NVOCC Service Arrangements (NSAs) and explain how DPI assists. For guidance on 1) tariff rate filing, or 2) NRAs, please see www.dpiusa.com/videos or contact us.

An **NSA is a written contract for ocean and/or intermodal transportation** between an NVOCC and its shipper customer (the NSA Shipper), who may be a cargo owner or another NVOCC. The NSA provides the key terms for the transportation service the NVOCC will provide to the NSA Shipper and the applicable freight rates. In other words, the freight rates the NVOCC sells to its customer.

When an NSA is used the NVOCC is not required to file tariff rates, or to use NVOCC Negotiated Rate Arrangements (NRA) to document its selling rates for its customer, the NSA Shipper. DPI provides expert guidance on NSAs and handles the FMC required record keeping for NSAs in our database, which is accessible to you at www.dpiusa.com

NSAs are optional; their use is not required by the FMC. However, NSAs offer advantages that are worth consideration. With an NSA you can offer your customer a freight rate, or an entire spreadsheet of freight rates, that are exclusive and confidential. With an NSA you can offer unique service terms and/or require your customer to ship a minimum quantity or volume of cargo over a fixed period of time. This is often called a minimum quantity commitment or "MQC." The amount of the MQC can be one container, or one cubic meter, or it can be a substantial number of containers. With an NSA you can provide your customer a unique discount or refund, which may be paid by your company to your customer when the MQC has been shipped, or on any basis to which you and customer agree. With an NSA you can include other related services and unique fees; for example, warehousing, storage, shrink wrapping/packaging, and container loading/unloading.

A unique feature of NSAs is their ability to provide an NSA Shipper with freight rates that remain fixed for the term of the NSA, but are subject to surcharges filed in the NVOCCs governing rules tariff that may change without amendment to the NSA and without NSA Shipper approval. This can provide fixed freight rates, but "floating surcharges" that you, the NVOCC, control by updating your tariff rules. This is a unique feature of NSAs that is not allowed in FMC tariffs or in NVOCC Negotiated Rate Arrangements (NRAs).

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Because NSAs are contracts, there are administrative procedures required by FMC for their use. Here at DPI we have years of experience in handling NSAs and we have streamlined most of the procedures for FMC compliance. We recommend your company use the **attached template** (Excel file) to prepare each of your NSAs. The wording of this template is concise and shortened because it relies on an **NSA rule** (copy attached) published in your rules tariff which provides all the definitions and terms required by FMC for NSAs.

We have also attached a template for **NSA amendments**, which is used when you need to amend an NSA you have already entered into. These are generic templates; we will help customize these to provide your company name, head office address, FMC organization number, governing tariff number(s), and other key details. Then, when you are ready to offer an NSA to your customer, you enter its company name and related details; your exclusive and confidential rate offer to your customer is provided in Appendix A of your NSA.

Thanks to a change to FMC regulations implemented on 22Aug2018, both new and amended NSAs are no longer required to be filed with FMC – they can be effective as soon as your company and your customer agree in writing. NSAs must be retained for FMC review and audit for five (5) years; DPI provides this important record keeping service.

Once your company is ready to use an NSA please prepare a draft using our template and send a copy to nsa@dpiusa.com. We will confirm receipt and review your NSAs carefully and advise you on any changes required for FMC compliance. Once you send us a copy of your NSA with the signatures of your company representative and your NSA Shipper representative we will save your NSA in our secure database, which you will have access to via your User ID and Password for www.dpiusa.com - access to your NSAs is provided to you alone; no public access is provided.

Effective 22Aug2018 our handling fee for each new NSA is USD 28. The fee for amendments to NSAs already in effect is USD 18 each. These fees include our regulatory review and advice, and maintenance of NSAs in our secure database. These fees reflect a reduction to our former pricing due to the elimination of the FMC filing requirement.

The attached document named **NSA Handling Procedures** reviews the NSA template and handling procedure in detail; this is also provided as a video tutorial at <https://www.dpiusa.com/videos>

If you have any questions about NSAs please do not hesitate to contact us. Please direct your questions to our Contracts Manager, Ms. Naihin SAEPHAN, email: nsa@dpiusa.com and to James DEVINE, email: jdevine@dpiusa.com. We look forward to hearing from you.