



Law Offices of Countryman & McDaniel

THE CARGO LETTER [506]

Air & Ocean Logistics - Customs Broker News

30 April 2014



Good Wednesday Evening from our Observation Deck.....overlooking the officially designated "**Cargo City**" area and..... Runway 25-Right, at **Los Angeles International Airport**, voted "**Best Cargo Airport in North America.**"

The Cargo Letter is now perfectly designed to be enjoyed on your **iPad**. Access all our internet links directly from your device.

Here is what happened in our industry during the Month of April 2014. There was no The Cargo Letter for March as we traveled to Indonesia for the **OMNI Conference**.

To help you find what you need -- **FAST** -- there's now a transport search engine installed at our www.CargoLaw.com website!

Contribute your knowledge, stories & company information.....by e-mail to **The Cargo Letter**. We strive to bring you useful information which is timely & topical. Be sure to visit our website.....<http://cargolaw.com>

Archive of **The Cargo Letter** www.cargolaw.com/cl-archives.php

Michael S. **McDaniel**, Editor, Countryman & McDaniel, forwarder/broker, hull & machinery attorneys at LAX.

INDEX to The Cargo Letter:

OUR "A" Section: Trade, Financial & Inland News***

1. Freight Forwarder Trade Briefs _____

2. The Cargo Letter Financial Page _____

OUR "B" Section: FF World Air News***

3. Freight Forwarder World Air Briefs _____

OUR "C" Section: FF World Ocean News***

4. FF World Ocean Briefs _____

5. The Cargo Letter Cargo Damage Dispatches _____

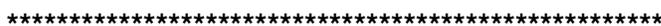
****Back By Popular Demand****

OUR "D" Section: FF in Cyberspace***

6. The Cargo Letter "Cyber Ports of Call" _____

OUR "E" Section: The Forwarder/Broker World***

7. New U.S. Transport Related Legal Cases _____



OUR "A" Section: Trade, Financial & Inland News***

1. Freight Forwarder Trade Briefs _____

*****Modest Cross-Border Trade Increase** as the truck mode carried more U.S.-NAFTA trade in February 2014 than in February 2013, according to the TransBorder freight data released today by the U.S. Dept. of Transportation's Bureau of Transportation Statistics (BTS). Trade using truck grew the most of any mode, 2.6%, as the value of overall U.S. trade with its North American Free Trade Agreement (NAFTA) partners Canada and Mexico rose 1.3% from year to year. While trade by truck rose 2.6%, trade using other modes declined 0.6% from year to year. Air declined 3.1%, rail declined 2.5% and vessel declined 0.3%. Truck carries nearly three-fifths of U.S.-NAFTA trade and is the most heavily utilized mode for moving goods to and from both U.S.-NAFTA partners. Truck carried 59.8% of the US\$89.6Bn of U.S.-NAFTA trade in February 2014, accounting for US\$27.8Bn of exports and US\$25.8Bn of imports. The value of freight carried by rail decreased from year to year, but rail was still the second largest mode, at 14.7%, followed by vessel at 9.6% and air at 3.5%.

*****Obama Administration Fails To Achieve Trade Deal With Japan** as talks between the leaders of the U.S. and Japan in Tokyo have failed to narrow the gap in on-going trade talks concerning the Trans-Pacific Partnership (TPP) free-trade initiative for 12 economies, as significant differences remain on key issues. The two sides, barring their leaders, were said to have been negotiating into the night in an attempt to reach a deal before President Barack Obama's departure on 25 April. Prime Minister Shinzo Abe said in a news conference after the summit that the two heads of state had instructed their chief trade negotiators, US Trade Representative Michael Froman and Economy Minister Akira Amari, to bridge the gap on a trade agreement that is crucial to the TPP. Mr Abe said the two sides wouldn't issue a joint statement until after the trade negotiators had concluded their talks, sparking speculation that a deal was imminent because such statements are commonly issued after summit meetings, reported The Wall Street Journal.

*****Japan & Australia Announce New Trade Deal** as clinched a bilateral trade pact this month, agreeing to slash import tariffs on a series of products, including beef, dairy, and automobiles. The news has sparked questions over what impact the deal might have on the pace - and outcome - of the 12-country Trans-Pacific Partnership (TPP) negotiations, of which both countries are members. The Economic Partnership Agreement (EPA) was announced during Australian Prime Minister Tony Abbott's much-touted visit to North Asia, his first since taking office last September. Notably, the deal includes an agreement to cut tariffs on frozen beef in half - from 38.5 to 19.5% - over an 18-year period. For fresh beef, tariffs will be cut to 23.5% over 15 years. Australia's beef exports to Japan totalled US\$1.3Bn, at today's exchange rate) in 2013. With regards to dairy, Japan has agreed to increase Australia's tariff-rate quota on cheese - in other words, how much can be imported free of duties - from 27,000 tonnes to 47,000 tonnes annually. Cheese makes up the bulk of Australia's dairy exports to Japan.

*****China Transport Growth Continues** as latest figures posted by the China Federation of Logistics and Purchasing (CFLP) show that the China's Logistics Prosperity Index (LPI) climbed 1.1 percentage points to 53% in March compared to February, indicating a positive trend of steady growth, reports Xinhua. The business volume index in the month was up 0.3 percentage point from last month to 55.8%, reflecting that logistics activities are becoming more active after Chinese Spring Festival. Employee index and facility utilisation rate index both increased. The former went up 2.3 to 50.1%, while the latter increased 1.5 to 51.9%. Logistics service price index picked up 0.2 percentage point to 52.7%, while the core business cost index slipped 0.3 to 58.5%, which brought 0.3 percentage point gain in core business profit index to 52%.

*****Made In The Ukraine** as on April 23, 2014, U.S. Customs and Border Protection (CBP) issued Cargo Systems Messaging Service (CSMS) Broadcast No.14-000236 specifying that goods originating from Crimea are to be marked as products of Ukraine. According to the CSMS, "Goods which are the growth, product, or manufacture of Crimea and other areas of Ukraine should be marked as Product of Ukraine or Made in Ukraine. If the container of the imported good is marked, it may be marked, "Contents made in Ukraine" or words similar in meaning. Articles that do not comply with the given guidelines are subject to additional duties of 10%, or can be destroyed or exported under CBP supervision."

Read The Directive

http://apps.cbp.gov/csms/viewmssg.asp?Recid=20019&page=&srch_argv=&srch_type=&btype=&sortby=&sby

*****More Zimbabwe Sanctions**as on 17 April, the Office of Foreign Assets Control of the U.S. Dept. of the Treasury (OFAC) tightened its sanctions regime against Zimbabwe, designating three individuals and one company. The U.S. and the EU imposed sanctions on Zimbabwe in 2002 in protest over a contested land reform program and general concerns over political violence, violations of human rights and restrictions on the media, and their impact on prospects of a free and fair election.

Further Details From U.S. Dept. of The Treasury

www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/pages/20140417.aspx

*****OMNI 28th Annual Conference** as the 2014 gathering of the **Overseas Moving Network International** was held at the W Resort in Bali, Indonesia earlier this month. A feature of the event was a visit to the rural village where the Sudimara Tabanan Bali Elementary School which was rebuilt by the OMNI organization following a devastating storm last year. Speaker **Michael S. McDaniel** of **Countryman & McDaniel** delivered a presentation of management techniques and trends titled "Protecting The Customer -- Protecting The Logistics Specialist." OMNI is a global network of the world's leading

international relocation and moving specialists.

OMNI

www.omnimoving.com/about/

******"Defered" Under Valuation Expense**as on April 21, 2014, it was announced that Otter Products LLC (operating as OtterBox) has paid US\$4.3M to settle a whistle-blower suit alleging that its import practice violated the False Claims Act ("FCA") and the Tariff Act of 1930.1 OtterBox is a U.S. company which imports and sells protective cases for phones, tablets and similar products. It allegedly underpaid customs duties owed to the U.S. government when importing goods into the United States. The civil settlement was reached without any admission of liability by OtterBox. It resolved the qui tam action brought by a former employee under the FCA, in which the U.S. government intervened. The FCA (31 USC § 3729) creates liability against any person who: (i) knowingly submits a false claim to the government; (ii) knowingly makes a false record or statement in order to receive payment from the government for a false claim; (iii) knowingly acts to avoid making a payment to the government; or (iv) conspires with another to violate the FCA.

www.otterbox.com

*****Amazon's Last Mile** as it is in the process of testing its own delivery network to help complete the last stage of delivery in a package's trip from factory to buyer, the Wall Street Journal reports. The e-commerce giant is using Candlestick Park in SF, as well as facilities in Los Angeles and New York, as bases of operation for Amazon trucks and contracted drivers. Self-delivery would be a huge step towards giving Amazon even more control over its sales empire, and yet another threat to brick-and-mortar retail. Amazon's shipping costs are ballooning quickly, as the company gets bigger and serves more customers – last year alone it grew 29% and, relative to its total sales numbers, it's been growing every year since 2009, the WSJ notes. Amazon can also use its own delivery team to more easily deliver same day and to potentially deliver on holidays and weekends when service from carrier partners, including UPS, FedEx and the U.S. Postal Service, might not necessarily be available or might be cost-prohibitive. It shouldn't surprise anyone that Amazon is at this stage of testing its own delivery service – competitors including Wal-Mart and Google are already exploring their own delivery networks, too. Already in the UK, Amazon does its own last-mile delivery, as CEO Jeff Bezos revealed in a shareholder letter earlier, too. For these efforts, it generally uses local couriers and packages products in its own, Amazon Logistics packaging. In the U.S. implementation, it's not clear exactly how the so-called "last mile" deliveries stem from the larger shipments brought in from regional distribution hubs. Amazon's use of the program ramped up quickly after packages sent via carriers, including UPS and FedEx, failed to meet their pre-Christmas delivery deadlines last year, which led to the retail giant offering US\$20 credits to any customers affected.

*****FMCSA Wants Higher Liability Coverage** as the current US\$750,000 minimum liability insurance required to be held by carriers is too low, said the Federal Motor Carrier Safety Administration last week, and the agency plans to create a rule upping that minimum. In an agency report to Congress released this week, FMCSA concludes the US\$750,000 liability limit set in 1985 does not "adequately cover catastrophic crashes" today, due chiefly to inflation and increased medical costs, the agency says. The minimum required insurance would be US\$1.62M, FMCSA says, but if the number had kept up with the medical consumer price index, which measures the increase annually in medical costs, carriers would be required to have US\$3.18M in liability insurance.

*****Union Pacific Railroad's Steam Giant** as it began the final phase of the momentous move of Big Boy No. 4014 to Union Pacific's Heritage Fleet Steam Operations headquarters in Cheyenne, Wyo., on Monday, April 28. The 1.2 million pound steam locomotive was towed 1,293 miles by modern diesel-electric Union Pacific freight locomotives from the Union Pacific rail yard in Colton, Calif., to Cheyenne, Wyo., for restoration over the next five years. Big Boy No. 4014 has drawn the attention of rail enthusiasts and media around the world while Union Pacific has been preparing for the trip to Cheyenne over the last six months. This giant among steam locomotives will be on public display in Las Vegas, Salt Lake City and Ogden, Utah, during the 11-day excursion to Cheyenne. Following a 17-year operating career, Union Pacific delivered No. 4014 to RailGiants Train Museum in January 1962. No. 4014 was one of 25 Big Boys built for Union Pacific and was used primarily for freight service on the transcontinental railroad route beginning in 1941. Union Pacific plans to restore the locomotive to operating condition.

Union Pacific Steam & Big Boy Schedule

www.up.com/aboutup/special_trains/steam/index.shtml

Policy Statement for Taking Pictures/Videos of Union Pacific Trains or Structures (interesting)

www.uprr.com/she/policy/index.shtml

*****FMCSA Shut Down** as the Federal Motor Carrier Safety Administration declared a Texas trucking company an imminent hazard to public safety and revoked the operating authority of two Massachusetts-based bus companies. The trucking company ordered shut down by FMCSA is FTW Transport LLC of Forest Hill, Texas. Federal investigators found that the company "failed to require its drivers to comply with federal limitations on driving and on-duty requirements," according to a news release announcing the shutdown.

What Happens If A FedEx Driver Forgets to Apply Parking Brake?

www.youtube.com/watch?v=2iXTX4Cw6xs

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****Canada's Pacific Railway Ltd. UP** with a 17% higher first quarter net income of US\$230.34M.

****Delta Air Lines. UP** with a 3.2% increase in first quarter net profit year on year to US\$213M, drawn on revenues of US\$8.9Bn, up 5% boosted by robust passenger growth, but first quarter cargo operating revenue fell 9% year on year to \$217 million, a decline attributed to weak yields and volume.

****Kansas City Southern. DOWN** with a 10.8% net profit decline in 1st quarter to US\$94M, drawn on revenues of US\$607.4M, up 40%.

****Landstar System. UP** as 1st-quarter net income rose to US\$27.6M, or 61 cents per share, from US\$26.7M, or 57 cents, a year ago.

****Old Dominion. UP** as net income rose to US\$45.9M, or 53 cents a share, from US\$40.6M, or 47 cents, a year ago.

****Swift Transportation Co. UP** as 1st-quarter net income fell 59% to US\$12.3M.

****Union Pacific** (America's largest railway). **UP** with a 14.9% year on year first quarter net profit increase to US\$1.1Bn, drawn on revenues of US\$5.6Bn, up 7%.

****UPS. DOWN** as 1st quarter net income declined to US\$911M, or 98 cents a share, from US\$1.04Bn, or US\$1.08, a year ago.

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OUR "B" Section: FF World Air News***

3. Freight Forwarder World Air Briefs _____

*****IATA Calls For Global Aircraft Tracking** as it has called on the aviation industry to "make a safe industry even safer" by developing a better way to track aircraft following the disappearance of Malaysia Airlines flight MH370 March 8. Speaking at the IATA OPS conference in Kuala Lumpur, IATA DG and CEO Tony Tyler said governments and industry should focus on partnerships, data analysis and runway safety. He also committed IATA to formulating a unified industry position on global tracking of aircraft. Tyler announced IATA's plan to convene a task force, including input from ICAO, to "examine all of the options available for tracking commercial aircraft against the parameters of implementation, investment, time and complexity to achieve the desired coverage." The group will report its conclusions by December. MH370, a Boeing 777-200 with 239 people on board, was on a routine flight from Kuala Lumpur to Beijing. The search for the aircraft, believed to be in the south Indian Ocean off the coast of Perth, continues. "Accidents are rare, but the current search for MH370 is a reminder that we can never be complacent on safety," Tyler said. "In a world where our every move seems to be tracked, there is disbelief both that an aircraft could simply disappear and that the flight data and cockpit recorders are so difficult to recover. Air France 447 brought similar issues to light a few years ago and some progress was made, but that must be accelerated. We cannot let another aircraft simply vanish."

*****Inmarsat PLC Wants To Avoid Mystery** as the satellite

communications company plans to offer basic tracking services free of charge to airlines, its chairman said, in the strongest sign yet of the aerospace industry's intentions to enhance monitoring abilities for commercial jets after the disappearance of Malaysia Airlines Flight 370.

Learn More About Inmarsat In Aviation Tracking

www.inmarsat.com/aviation/

*****Why Is It Taking So Long To Find MH370?** from the Malaysian Chronicle

[www.malaysia-](http://www.malaysia-chronicle.com/index.php?option=com_k2&view=item&id=265441:why-is-it-taking-so-long-to-find-mh370?&Itemid=2#axzz307VdYwwA)

[chronicle.com/index.php?option=com_k2&view=item&id=265441:why-is-it-taking-so-long-to-find-mh370?&Itemid=2#axzz307VdYwwA](http://www.malaysia-chronicle.com/index.php?option=com_k2&view=item&id=265441:why-is-it-taking-so-long-to-find-mh370?&Itemid=2#axzz307VdYwwA)

*****Why Are Americans Obsessed With Missing Flight MH370?**

http://m.apnews.com/ap/db_268768/contentdetail.htm?contentguid=VnpTB6x3

*****Airports Council International (ACI) Cargo Update** as the worldwide association of airports with 592 member airport authorities, reports air freight volumes at the world's airports stayed positive for a fifth month in a row, with February's throughput rising 2.6% year on year. The growth in air freight traffic was primarily fuelled by strong recovery in Europe's airports, which were up 3.9% in February year on year. Amsterdam fared the best at 8.7% increase followed by Paris (4.9%) and Frankfurt (3.4%), according to ACI's FreightFlash preliminary statistics. North America and Latin America-Caribbean recorded average growth rates of 2.6% in February and 3.4% for the year to date. North America's domestic air freight weakened in a 0.5% decline to show marginal growth of 0.6 per cent in February for the year to date, reported Lloyd's Loading List. Asia-Pacific airports' slowdown of 1.4% average growth reflected subdued volume due in particular to slowdown in the Chinese economy. Domestic air freight for the region was up 9.7% in February.

Learn More About The ACI

www.aci-na.org/

www.aci.aero/

*****Licking The Lithium Problem** as on April 12th, 2014, The ICAO Dangerous Goods Panel (DGP) formally decided to prohibit the carriage of lithium metal batteries as cargo on passenger aircrafts. This decision still needs to be formally ratified by the ICAO Air Navigation Commission (ANC) and the ICAO Council. That process is expected to take place at the ANC in May and Council in June. Unless the ANC or Council decide otherwise, the consequence of the decision will be that Lithium Metal batteries of all types, when shipped by themselves, will be forbidden on passenger aircraft as cargo as of January 2015. As such, we would expect only Lithium Metal batteries which are classified as Class 9 - Miscellaneous dangerous goods to be affected but not shipments of Lithium metal batteries contained in equipment, Lithium metal batteries are generally primary (non-rechargeable) batteries that have lithium metal or lithium

compounds as an anode. Lithium-ion batteries (sometimes abbreviated Li-ion batteries) are a type of secondary (rechargeable) battery commonly used in consumer electronics. There are basically two types of Lithium batteries: Primary (Lithium – Metal) and Secondary (Lithium – Ion). Lithium Polymer batteries are classified Lithium – Ion type. These two types must be differentiated since the danger level of each differs greatly. The main issue is Lithium Metal batteries are considered to be more volatile and that they exhibit a burn temperature of about 1450 degrees Celsius; and that the fire suppressant used aboard aircraft, Halon, has proven ineffective against lithium metal battery fires. The two types of batteries, Lithium metal (UN 3090) and Lithium – Ion (UN 3480) each come in three different forms: The batteries as such, batteries packed with equipment and batteries contained in equipment. Each battery type has different packaging instructions featuring unique requirements which must be complied with.

*****UPS Says Thank You For Your Service** as it plans to hire 50,000 veterans by the end of 2018. The total doubles the company's original five-year hiring pledge made in 2013 as part of the Obama Administration's Joining Forces initiative. In 2013, UPS hired 13,000 veterans, an increase of more than 30 percent from the prior year.

*****Boeing Ends Aircraft Construction For Long Beach** as it has brought forward the closure of its C-17 Globemaster III production line in Long Beach by three months, reports Jane's Defence Weekly. The company said the Long Beach operation will now shut down in mid-2015, having previously been scheduled for closure in late-2015. Boeing expects inventory-related charges of about US\$50M, which will be recorded in the first quarter, as a result of this announcement, the company said in a statement. Boeing announced the closure of the C-17 transport aircraft line in September 2013, in line with the impending fulfilment of orders for the US Air Force (USAF) and a slowdown in international sales. Having delivered 258 C-17s to date (Australia [6], Canada [4], India [5], Kuwait [1], NATO and the Partnership for Peace nations [3], Qatar [4], the United Arab Emirates [6], the UK [8], and the United States [221]), Boeing has just five more aircraft set to be delivered, to India. The company has stated that it has 15 unassigned "white-tails" on the line, of which Kuwait is understood to be receiving one, while India wants an additional six.

Learn More About The C-17 Globemast III

www.boeing.com/boeing/defense-space/military/c17/

http://en.wikipedia.org/wiki/Boeing_C-17_Globemaster_II

*****Boeing Takes Private Transport To The MAX** as it announced on Apr. 2 the launch of the Boeing Business Jet (BBJ) MAX family of airplanes after receiving the first order from an undisclosed customer. The order is for a 737-8 BBJ MAX, which is based on the 737-8 MAX and the newest business jet to join the BBJ family. The 737-8 BBJ MAX will have a range of 6,325 nautical miles (11,713 km), an increase of more than 800 nautical miles (1,482 km) over the BBJ2. It will share the same cabin size with today's BBJ2, offering customers a

19-foot (5.8 meter) longer cabin and three times the cargo space of today's BBJ, while improving on its market-leading range capability and maintaining the BBJ advantages of lower cabin altitude, unmatched reliability and outstanding product support around the globe.

Read More About The BBJ

http://en.wikipedia.org/wiki/Boeing_Business_Jet

*****Stanford-IATA Aviation Strategy Program**16-27 June at Stanford University, California. -- an intensive ten-day experience for executives and senior management in civil aviation and related industries to actively study the current state of the civil aviation industry and envision new and long-range strategy and leadership opportunities for the civil aviation industry. This cutting edge program will take place for 5 days in Montreal, Canada starting April **2014 and continue on June 16, 2014 for 5 days at Stanford University.**

http://aviation.stanford.edu/aviation-strategy-program/overview.php?_&_vsrefdom=EmailMarketing&IATA

*****Volumes >>>** Amsterdam Airport Schiphol volume ballooned by 7.3% in the first quarter of 2014 compared to the same period in 2013, moving 392,990 tons during the first quarter of 2014. **>>>** Hong Kong's **Cathay Pacific Airways** and **Dragonair** in March 2014 recorded a double-digit increase in cargo and mail tonnage, as the two airlines carried 155,352 tons of cargo and mail in March, an increase of 13.8% year on year. **>>>** Miami International Airport volume grew by 2.2% in the first quarter of 2014 year over year with more than 500,000 tons of air cargo. **>>>** Singapore Changi Airport processed 169,800 tons of airfreight shipments in March, a slight decline of 1.3% year over year. Cargo shipments were stable at 446,900 tons for the first three months of 2014.

*****The Road To Cargo Drones Begins** as the first of six test sites that will perform unmanned aircraft systems (UAS) research has begun operations, after the U.S. Federal Aviation Administration (FAA) granted the North Dakota Department of Commerce authorization. The North Dakota authority is allowed to use a Draganflyer X4ES at its Northern Plains Unmanned Aircraft Systems Test Site for two years ahead of a deadline set by Congress. Operations are planned to start in May, reported American Shipper. The FAA said the chief goal of the site's initial operations is to demonstrate that unmanned aircraft systems can examine soil quality and the status of crops to support agriculture research studies. Aside from the North Dakota, the five other site operators are the University of Alaska, New York's Griffiss International Airport, Texas A&M University-Corpus Christi, and Virginia Polytechnic Institute and State University.

Learn More About The Dragonflyer

www.draganfly.com/uav-helicopter/draganflyer-x6a/index.php?gclid=CJ7qyNTRhL4CFdKGfgodaRsAWg

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OUR "C" Section: FF World Ocean News***

4. FF World Ocean Briefs

*****So. Cal. Port Stoppage Causes Minor Problems** as truck drivers at the Southern California ports began a 48 hour work stoppage on 28 April to protest companies that do not classify them as employees, the Los Angeles Times reported. Drivers have accused companies of illegally misclassifying them as independent contractors instead of employees, the Times reported. It did not say how many truckers were expected to take part in the protest. Tensions between drivers and drayage companies have escalated in recent years, and industry estimates say that about 10% of truckers are directly employed by companies, the newspaper said. The protest is being organized by the group Justice for Port Truck Drivers, the Times reported. Total Transportation Services Inc., a Southern California drayage company that is being targeted by the protests, said in a statement it was "discouraged to learn that once again outside interest groups like . . . the Teamsters are continuing to spend their members' hard-earned money to battle an issue that a vast majority of harbor truck drivers have soundly rejected time and time again." TTSI pays its "contractor partners above the industry average and provide one of the safest-rated work environments in the industry while doing it," the statement said.

Learn More About TTSI

www.tts-i.com/

Read More About Justice for Port Truck Drivers

www.justice4ladrivers.net/

*****Panama Canal Woes Continue** as work on the expansion has stopped again after the construction union Suntracs went on strike for an immediate 20% pay increase while management held out for 20% over four years, reported Lloyd's List. The canal expansion to be completed by the end of 2015 has already been set back this year when work stopped for two weeks due to a dispute between the Panama Canal Authority and the contractors over US\$1.6Bn in cost overruns. Contractors Grupo Unidos por el Canal said Suntrac's unionised workers' strike would result in delays in the canal expansion's completion.

*****The New Number Four** as Chile's Compania Sud Americana de Vapores (CSAV) and Germany's Hapag-Lloyd have signed a binding agreement to merge and become the world's fourth-largest container shipping line. Relevant corporate bodies of both companies have approved though the closing of the transaction is subject to approval of competition authorities. The company will remain in Hamburg, where it will manage 200 ships totalling one million TEU, with an annual transport volume of 7.5 million TEU and a combined revenue of US\$12.4Bn. CSAV will initially hold a 30% stake.

*****Piracy Falls To 7 Year Low** as it is at the lowest levels in first quarter since 2007 with 49 piracy incidents in which two vessels were hijacked, 37 vessels boarded, five vessels fired upon and five attempted attacks were reported. According to the latest International Maritime Bureau (IMB) Piracy Report, 46 crewmembers were taken hostage and two kidnapped from their vessel. Somalia remained at the same number of incidents of first quarter 2013. Of the five reported, three were attempted hijacks and two were vessels fired upon. In an incident in January, a skiff launched from a mother vessel fired upon a Panamax sized product tanker 115 nautical miles south of Salalah, Oman. The attack was repelled and the international navies subsequently intercepted the mother ship - an Indian dhow which itself had been hijacked a few days previously. Eleven Indian crewmembers were freed and five suspected pirates apprehended. West Africa reported 12 incidents which included two vessel hijacks with 39 crew taken hostage and two crew kidnapped from their vessel. Nigeria accounts for six incidents including the hijacking of a supply vessel, which was used unsuccessfully to hunt for other potential vessels to hijack, reported GAC Hot Port News. Angola saw its first reported hijacking in the first quarter, demonstrating the increased range and capability of Nigerian piracy if left unchecked. The incident involved armed pirates boarding and hijacking a loaded tanker from Luanda anchorage. The pirates stole a large quantity of the tanker's gas oil cargo in three separate STS operations. The vessel was under the control of suspected Nigerian pirates for over a week before the owner regained contact, off Nigeria, 1,200 nautical miles from the initial boarding. One crewman was injured during the incident. Indonesia ranks as the country with the highest number of attacks with 18 reports compared with 25 in the first quarter of 2013. In all incidents, vessels were boarded. Although many of these were low level thefts, seven crew members were taken hostage in five incidents, while in four incidents the pirates possessed firearms. The Indonesian Marine Police launched regular patrols of the higher risk anchorages in an effort to bring down the number of incidents, said the report.

*****Arming The Merchants Continues Key** as piracy attempts off the coast of Yemen have been thwarted by shipboard armed guards, according to the U.S. Navy Maritime Liaison Office in Bahrain (MARLO). On the morning of April 17, the master of a motor vessel reported being approached within 150 metres by five Yemeni skiffs in the Bab El Mandeb (BAM) area..One flare was fired as the skiffs moved towards the vessel and the alarm was sounded and fire hoses activated..The armed security team sighted a ladder on one of the skiffs but it moved away when the guards showed their weapons. A second flare was fired which resulted in the approach being aborted, reported GAC Hot Port News..Two hours later the same day the motor vessel was approached again, but this time by only one Yemeni fishing skiff. The skiff had five personnel on board carrying weapons and wearing army dress..Two flares were fired and the vessel maintained its course. An additional flare was fired and when the guards showed their weapons, the skiff retreated.

*****Oil Hijacking In The Malacca** as armed pirates have hijacked an oil tanker near Port Kelang in Malaysia, the first time so far north in the Malacca Strait, kidnapping three Indonesian crew members, including the captain and chief engineer. Eight Indonesian pirates in a fishing vessel boarded [M/T Naniwa Maru 1](#) and pumped out three million litres of the 4.5 million litres of diesel carried by the tanker into two waiting vessels, the Malaysian Maritime Enforcement Agency said. "There is a possibility that the abducted crew was involved in the hijack based on new leads and that their personal documents, clothes and belongings were taken along with them," the agency said in a statement. The Saint Kitts and Nevis registered oil tanker, which was bound for Myanmar from Singapore, has been towed to Port Klang for further investigations. The stolen cargo is worth US\$2.5M, based on the average price of diesel this year in Singapore, according to Clarkson data.

*****Shanghai Scrapping** as COSCO Group announced it has scrapped 16 vessels, made up of 12 containerships from COSCON and four bulk carriers from COSCO Bulk Carriers, in the first quarter as part of its fleet optimization plan. COSCO earlier announced plans to scrap a total of 41 vessels for the year. Total price for selling the 16 vessels was US\$75M.

*****Loss of M/V Sewol** as the 16 April South Korean ferry disaster, which has left almost 300 people dead or unaccounted for, is expected to generate a total loss of just over US\$140M. The Insurance Insider newsletter has revealed. Each passenger is covered for up to US\$337,000. In addition to passenger liability insurance, South Korean ferry companies are required to provide compulsory travel insurance policies that are included in the price of the ticket. These policies provide up to US\$96,000 of cover for each passenger.

Read More In The Insurance Insider

<http://tinyurl.com/SKoreanFerry>

*****Drewy Report Highlights Panamax Surplus Problem** as the continuous cascading of surplus Panamax vessels into North-South trades is still contributing to over-capacity, and the problem is likely to get worse when the Panama Canal's widened locks are opened at the end of 2015. MSC's recently announced service between Asia and West Africa deploying 10 ships averaging 4,000 teu underlines a growing difficulty for North-South trades. Surplus Panamax vessels between 4,000 teu and 4,999 teu are still keeping charter rates low, making it easier for competing carriers to penetrate the markets more deeply, regardless of need.. Only four of the ships deployed in MSC's Africa Express service have so far been identified, but as they are all chartered, the inference is that this is one of the drivers behind it. If so, others are likely to follow, and the problem will increase dramatically once the Panama Canal's enlarged locks are opened at the end of 2015, when many more Panamax vessels will become surplus to requirements. In this respect, the progressively delayed expansion of the Panama Canal – from mid-2014 to end 2015 – has given North-South routes a welcome reprieve, even though it has cost Panama

Canal users dearly. At present, around 150 vessels between 4,000-5,000 teu still use the canal between Asia and East Coast of North America alone, and another 58 are deployed in services between Europe/West Coast of South America, and between East Coast of North America/West Coast of South America, many of which need to be replaced by larger vessels. Ocean carriers desperately need more economies of scale than are available with Panamax ships to turn losses into profit, as evidenced by Evergreen's decision last month to route more cargo from Asia to the USEC via Suez instead of Panama. Another 377 vessels between 4,000 teu and 4,900 teu are currently employed on routes not passing through the Panama Canal, or laid up, so the transfer of just a small proportion of the remaining 258 vessels currently using the Canal would cause a shock to the system. Some of the surplus will be scrapped, and ocean carriers clearly see this as part of the solution. Nineteen vessels between 4,000 teu and 5,000 teu were already scrapped in the first three months of this year, compared to just seven over the whole of 2013, and one at the very end of 2012. The problem here is that the average age of ships in the sector is only 8.5 years, with 73% of them being less than 11 years old (see Table 1). As many of ships will be depreciated over 15 to 20 years, this means much book value will have to be destroyed, which many shareholders will find hard to accept. Some owners will be looking to re-engine the youngest vessels, therefore, or even jumboize them. Total vessel capacity of the Panamax sector is 2.8 million teu, 16% of the total cellular container vessel fleet. If half of this capacity were to be scrapped after the Panama Canal is widened, the current over-capacity would disappear. In the meantime, more will be laid up unless alternative deployment can be found. Thirty four vessels between 4,000 teu and 4,999 teu were inactive in the middle of April, compared to 40 at the beginning of the year. The opening of the Panama Canal's enlarged locks at the end of 2015 is likely to lead to a massive surplus of Panamax container vessels between 4,000 teu and 4,999 teu, many of which will have to be scrapped regardless of age. It will also be further bad news for North-South trades not using the Canal.

Read The Drewry Report

<http://ciw.drewry.co.uk/release-week/2014-18/>

*****Approaching Storm?** as U.S. West coast labor contract talks will begin between the Pacific Maritime Association (PMA) and the International Longshore and Warehouse Union (ILWU) on May 12 over a two-week period in order to negotiate a new contract effective July 1. Following delays on contract talks between the PMA and ILWU, other interested parties such as the National Retail Federation has recommended speeding up contract negotiations in order to produce a new contract by end of June. Lloyd's List reported the Transpacific Stabilisation Agreement, a rate setting shipping conference, wrote to the PMA to ask for talks to be brought forward. But this scenario looks unlikely as moves to hold talks early in the past have failed to speed up the process. In 2008 talks started in mid-March but were still not concluded by the time the contract expired.

*****The New Sealand** as a new report from the BlueWater Reporting team suggests there is much more to Maersk's plan to reintroduce the SeaLand brand name than simply as a vehicle for marketing its intra-American services.

"Maersk's 'SeaLand' plan to capture the Americas" reveals the true scale of Maersk's existing penetration of the Americas' container markets, highlighting the speed with which it is moving to position itself with a total all-Americas strategy. The SeaLand template is only a part of this, the report suggests, in the run-up to the opening of a wider Panama Canal. A two-tier service level for services from Asia is identified – premium high-speed intermodal connections via Los Angeles and Miami, the latter through Panama, and larger, slower low slot-cost volumes arriving direct to the U.S. East Coast ports via Suez.

Obtain The Report

www.bluewaterreporting.com/bwr/Purchase.aspx?fdid=e0ea3ccc-3fd4-42dc-b3f7-5c5812583619&source=promo

*****World War II Continues** as this month China's Supreme Court announced Mitsui OSK Lines (MOL) has paid US\$28.5M in fees and damages as well as US\$385,000 in legal costs to free its ship from a Shanghai Maritime Court seizure in a case that dates back to 1937. The 226,434-dwt bulk carrier, M/V Baosteel Emotion, has been seized in lieu of payment for two ships that were chartered to a forerunner of the Japanese shipping giant in 1936 and disappeared in the war that started a year later. The court also sparked a renewal of a campaign to make Japan pay for wartime misdeeds. Championing the court seizure of the Baosteel Emotion is the Chinese Federation of Demanding Compensation From Japan headed by Tong Zeng, who has led a campaign for wartime compensation from Japan. Deteriorating Sino-Japanese relations have been fuelled by a dispute over a chain of islands in the East China Sea, which have worsened since China's creation of an air defence zone and the Japanese prime minister honouring war criminals. Mr Tong said there were a dozen cases either in courts or about to be filed with many more expected down the line. "This is just the beginning," said Mr Tong, who has helped advise the plaintiffs in the ship case. This case began with a pre-World War II contract between China's then "ship king" and a Japanese company to lease two Chinese freighters, said Reuters. When the one-year lease was up in 1937, the ships disappeared in the fog of war. Later it was discovered that one ship hit a reef and sank in 1938 while the other was destroyed by a mine in 1944, reported Xinhua. Beijing says the case as a simple business dispute without links to wartime compensation, but it has become a rallying point for those seeking financial reparations from Japan for wartime misdeeds. The Japanese say the war reparations were settled by the 1951 San Francisco Peace Treaty, which formally ended the war, and bilateral treaties since. They also says all wartime compensation issues concerning China were settled by a 1972 joint statement establishing diplomatic ties.

*****David Beckham Versus The Longshoremen** as disparate shipping interests, and a billionaire car dealer, have started a campaign to preserve the Miami port area for maritime use against soccer star David Beckham's plan for a US\$200M sports arena. "We cannot jeopardise well-paying jobs, like crane operators, longshore workers, and mechanics, for low-paying stadium jobs, such as concession sales," the Miami Seaport Alliance said in a full-page advertisement in the Miami Herald. Beckham plans a 25,000-seat complex covering 35 acres with shops, hotels and offices connected to the mainland by a pedestrian bridge on the island port with a grand vista of Miami, Reuters reports. The protesting alliance, led by John Fox, a retired Royal Caribbean Cruise Line executive, includes two locals of the International Longshoremen's Association (ILA) and two stevedoring companies as well as car dealer Norman Braman, the one-time owner of Philadelphia Eagles. Opponents say a stadium would imperil Miami's hopes of becoming a port of choice for shippers once the Panama Canal capacity is more than doubled and US\$2Bn of planned infrastructure upgrades are put in.

*****West Coast Rebounds** as container traffic at the Southern California ports of Los Angeles and Long Beach jumped more than 20% in March after a decline in February. Loaded imports at the neighboring facilities, which make up the largest U.S. port complex, rose 20.7% to 550,930 20-foot equivalent units. The gain was led by Los Angeles, whose traffic jumped 41.5% to 327,500. Long Beach's slipped 0.7% to 223,430 TEUs. Overall traffic at the two had declined 6.9% in February, due in part to the timing of the Chinese New Year holiday that closed factories in the Asian country for several weeks.

*****Throughput >>>** Abu Dhabi Ports Company's (ADPC) Khalifa Port throughput to reach 1.1 million TEU this year, a rise of 22% from 905,000 TEU in 2013, when traffic rose 17%. **>>> Port of Charleston** posted 10% year on year increase in container volumes in March to 150,516 TEU, the highest since August 2008, said the South Carolina Ports Authority (SCPA). **>>> Nigeria's** main ports soared by more than 15% in 2013 as throughput exceeded 1M TEU for the first time. **>>> Port of Rotterdam's** throughput in the first quarter of 2014 was 0.2% below the level for the corresponding period last year, at 109 Mt. **>>> OOCL** quarterly transatlantic volumes were down 1.1% while intra-Asia/Australasia trade was up 14.5% to 722,971 TEU. **>>> Shanghai International Port** (Group) has posted a 4.67% year on year increase in the first quarter throughput to 8.266 million TEU, also announcing a 3% year on year hike in March volume to 2.963 million TEU **>>> Port of Yantai** in northern China's Shandong province posted a record 21.8% increase year on year in container volume to 553,000 TEU in the first quarter of the year.

*****This Month In U.S. Navy History**
1854 - Sailors and Marines from sailing sloop, [Plymouth](#), protect U.S. citizens at Shanghai

1861 - Fort Sumter surrenders to Confederate forces
1950 - Unarmed Navy patrol aircraft shot down over Baltic Sea by USSR
1963 - During diving tests, [USS Thresher](#) lost with all hands (112 crew and 17 civilians) east of Cape Cod, MA
1989 - An explosion occurs in the Number Two 16" gun turret of the battleship [USS Iowa](#) (BB-61). The explosion in the center gun room kills 47 crewmen and severely damages the gun turret itself.

*****Lost Container Crew Off Hawaii** as a male Japanese crewmember was reported overboard from the container [M/V Hercules Highway](#), 805 miles northeast of Oahu, Hawaii. The U.S. Coast Guard was notified at about 0823, April 14, that the 23-year-old crewmember was missing. He was last seen at 1900 the night before. The 589-foot containership changed course to search for the crewmember, with assistance from an HC-130 Hercules airplane and Automated Mutual-Assistance Vessel Rescue System (Amver) vessels St. Andrews, Anne Gret and UACC Masafi. Weather conditions consisted of 28-mph winds, 12-foot seas and 69° water temperature.

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5. [The Cargo Letter](#) Cargo Damage Dispatches
****Back By Popular Demand****

We're sorry, but there were so many sinkings, explosions, pirate attacks, fires, cargo mishaps, battles on the water & other disasters at sea that we do not have room to print even the highlights this month. **Many people lost their lives at sea this month!!**

But you can read all this month's disaster news at our special Internet web feature which provides full details of each event -- our **Vessel Casualties & Pirate Activity Database**. Bookmark the site and visit every day! Updated twice daily.

www.cargolaw.com/presentations_casualties.html

SPECIAL NOTE: Please view the dramatic new pictures at our special "**Gallery of Cargo Loss**" website feature.

www.cargolaw.com/gallery.html

See our new feature for June 2008: "**Too Little Runway - Too Much Plane**"

www.cargolaw.com/2008nightmare_TACA.html

See our newest photo feature "**Singles Only**" - Transportation Disasters Told In A Single Photo!

www.cargolaw.com/2000nightmare_singles.only.html

Daily Vessel Casualties as we don't want you to miss the excitement of our 24 hour reports of the dramatic events at sea each day -- stories of casualties & pirates --- almost none of which are carried on your local news. Edited daily

by **Christoph Wahner, Esq.** of **Countryman & McDaniel**.
www.cargolaw.com/presentations_casualties.php

NOTE: The historic dangers of carriage by sea continue to be quite real. **Shippers must be encouraged** to purchase high quality marine cargo insurance from their [freight forwarder or customs broker](#). It's dangerous out there.

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OUR "D" Section: FF in Cyberspace***

6. The Cargo Letter "Cyber Ports Of Call"

Here are our suggested world wide web sites of the week for your business, your information and your amusement.....

Cargo & Trade>>>>>

A380 On Approach To SFO control by joy stick & laptop!
www.wimp.com/approachlanding/

Awesome Vids by the Slow Mo Guys
www.youtube.com/user/CaptainMorgan

International Convention for Safe Containers
www.imo.org/Publications/Documents/Attachments/RC282E.pdf
2014 Edition
www.imo.org/Publications/Documents/Newsletters%20and%20Mailers/Mailers/IC282E.pdf

Maritime TV: Piracy Mitigation Strategies – A Video Webcast Series
www.maritimetv.com/Events/PiracyMitigationStrategies.aspx

Six Signs Your Cargo is a Big Target To Thieves sponsored by C.H. Robinson
<https://RapidRequest.emediausa.com/4/Default.aspx?3014070.BKTOXIDC.200207>

Somalia: Inside The Pirates' Prison
www.twincities.com/columnists/ci_25460744/jill-keenan-somalia-inside-pirates-prison

Super-Sized Cargo Plane Carries NASA's Biggest Loads
<http://gizmodo.com/this-super-sized-cargo-plane-carries-nasas-biggest-load-1552891790>

Top Notch Logistics & Work Crews !!!
www.youtube.com/embed/78RrsepkQKA?rel=0

UPS Logistics: A Masterpiece of Streamlined Supply Chain Management
www.supplychain247.com/article/ups_logistics_a_masterpiece_of_streamlined_supply_chain_management/ups

Warehouse Disasters On Video

http://mhlnews.com/labor-management/conveyor-danger-caught-video?NL=MHM-02&Issue=MHM-02_20140422_MHM-02_513&YM_RID=mcd@cargolaw.com&YM_MID=1462085&sfvc4enews=42&cl=article_1

PRODUCTS>>>>>>>>>>

The Nautical Institute -- "Stowaways by Sea", a new handbook in the Maritime Security series of books. The new guide joins "Maritime Security – a practical guide" published in 2012 and [Maritime Security handbook: "Coping with Piracy"](#) published in 2013.

www.nautinst.org/en/shop/index.cfm

Vehicle Asset Communicator

www.id-systems.com/

EVENTS>>>>>>>>>>

Transport Events

www.transportevents.com/

Trade Shows, Exhibitions, Conferences & Business Events Worldwide

www.eventseye.com/

World Trade Organization Events

www.wto.org/english/news_e/meets.pdf

11th Annual International Trade Symposium -- "It's All About Bigger Ships"

May 8, Norfolk

www.vamaritime.com/event/symposium-2014

2014 IANA Intermodal EXPO 21-23 Sept. 2014, Long Beach, CA

www.intermodal.org/events/expo/

Africa Ports and Harbours 20141-2 July 2014, Johannesburg

www.terrapinn.com/exhibition/africa-ports-and-harbours/?pk_campaign=Terr-Listing&pk_kwd=Africa

Africa Rail 20141-2 July 2014, Johannesburg, South Africa

www.terrapinn.com/template/live/documents.aspx?e=6376&d=13639

CNS Partnership Conference 20144-6 May 2014, San Antonio, Texas
www.cnsc.net/events/Pages/cns-partnership-conference.aspx

FNC International Freight Conference 2014 Singapore12-14 June 2014,
Singapore
<http://fnc-group.com/Freight-Conference-Singapore-2014>

"Go Global" Conference7 May 2014, Rockford, IL
www.goglobal-itc.com/attendee-registration/attendee-registration.html

LAX Air Cargo Day 201410 am - 2 pm, 8 May 2014, The Proud Bird
Restaurant
<https://events.r20.constantcontact.com/register/eventReg?oeidk=a07e97gsdje34f68923&c=1c85a890-76b0-11e3-886e-d4ae5275b1a5&ch=1da1c6f0-76b0-11e3-88da-d4ae5275b1a5>

Maritime Innovation and Technology 16-17 Oct. 2014, Malta
www.regonline.co.uk/register/checkin.aspx?eventid=1485474&ResponseMemberId=0VOGQNUMNtFUXkAaQOtLwg==&jID=1393826

The Cargo Show Africa 2014 30 June - 3 July 2014, Johannesburg
www.terrapinn.com/exhibition/the-cargo-show-africa?pk_campaign=Terr-Listing&pk_kwd=Africa

Why A Boeing 777 Costs US\$320M
www.usatoday.com/story/money/business/2014/03/30/why-a-boeing-777-costs-320-million-dollars/7063805/

Apps For That - iPhones & Droids>>>>>>>>>

Red Rocketto gather the data your car or truck won't give you. The app covers everything from 0-60 times to lateral G's and is the perfect accessory for anyone who doesn't have ten grand to drop on a real dyno.

NRIX Traffic up-to-date traffic info, accident reports, traffic forecas -- FREE

Yale Lift Truck App

www.yale.com/north-america/en-us/community/promotions/Yale-Lift-Trucks-Mobile-App/

General Interest>>>>>>>>>

100th Supercharger

www.teslamotors.com/supercharger

Air India Scraps Its Newest Boeing 777-200LR - amazing photos
www.bangaloreaviation.com/2014/03/air-india-cannibalises-777-named-maharashtra-shivajis-airport.html

Cuba Travel Services
www.cubatravelservices.com/

Day In The Life of a Southwest 737
<http://airhive.com/blog/2014/04/04/day-in-life-southwest-737/>

Harley-Davidson Riding Academy
www.harley-davidson.com/en_US/Content/Pages/learn-to-ride/new-rider-course.html?hbx_camp_id=hdredirect&urlvar=ridingacademy&camp_id=16&source_cd=Vanity_ridingacademy

Golfboarding Video
www.youtube.com/watch?v=sSj8hyybMGs

Great Rail Journeys: Around the World in 53 Days 2015
www.greatrail.com/tours/around-the-world.aspx#ATG5

If History Were In Color
www.liveleak.com/ll_embed?f=d6d9d5385aee

Old Time Auto Racing
<http://vimeo.com/20247765>

Parking a Lamborghini at a Sky Garage in Singapore
www.chonday.com/Videos/parking-lamborghini-sky-garage-singapore

Photos of Vintaje Los Angeles
www.flickriver.com/photos/g_cliser/sets/72157625895927403/

Rare Historical Photos - Part 3
www.liveleak.com/view?i=af2_1384761800

Train Engineer Kicks Selfie In The Head
www.youtube.com/watch?v=G4Ck5BnJBeY

U-Haul SuperGraphics
www.uhaul.com/supergraphics/default.aspx
U-Haul -- Ice Berg Aircraft Carrier
www.uhaul.com/SuperGraphics/169/1/Enhanced/Venture-Across-America-and-Canada-Modern/Alberta/Flash-Intro

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OUR "E" Section: The Forwarder/Broker World***

7. New U.S. Transport Related Legal Cases _____

*****The U.S. Ninth Circuit Court of Appeals Addresses Yet Another Montreal Convention Issue of First Impression.....**as the Court ruled on 19 March 2014 that the Convention's two-year time-for-suit applies even to a claim for damages which had not yet accrued at the time that the Convention's two-year limitations period was triggered (arrival at destination). **Narayanan v. British Airways**, No. 11-55870 (9th Cir. 2014). Under the facts of the case, the limitations period began running six months before the claim even accrued. In making its decision, however, the Court reaffirmed its 2011 ruling that third-party claims for indemnity and contribution are beyond the reach of the Convention's two year time-for-suit, which applies only to claims for damages. That case, **Chubb Insurance Co. of Europe S.A. v. Menlo Worldwide Forwarding, Inc.**, 634 F.3d 1023, 1027 (9th Cir. 2011), was a groundbreaking victory for the forwarding industry successfully argued by the **Countryman & McDaniel** attorneys.

Ventress v. Japan Airlines

U.S. 9th Circuit Court of Appeals

28 March 2014, No. 12-15066

Circuit Judge McKeown for the court, Circuit Judge Hawkins; Concurrence by Circuit Judge Be

Federal Preemption: The Federal Aviation Act impliedly field preempts state whistleblower and employment law claims regarding pilot qualifications and medical standards.

Martin Ventress claimed that Japan Airlines and Jalways Co., Ltd. (collectively "JAL") retaliated against Ventress for raising safety concerns and submitting safety reports regarding a fellow pilot's fitness to operate an aircraft in June 2001. Ventress claims JAL retaliated against him because JAL made Ventress undergo unnecessary psychiatric evaluations and prevented him from working in violation of California's whistleblower and employment laws. On remand from appeal on other issues, the District Court held the Federal Aviation Act ("FAA") preempts Ventress's state law claims and granted JAL's motion for judgment on the pleadings on preemption grounds. On appeal the Ninth Circuit affirmed with two holdings. First, the FAA and accompanying regulations create an implied field preemption of Ventress's state law claims because pilot qualifications and medical standards are pervasively regulated by the FAA and usurpation by state laws would frustrate Congress's goal of a uniform system of regulation. Second, despite the pilot's alleged conduct not occurring in U.S. airspace, the preemption still reaches Ventress's claims because his complaint alleged the retaliation and termination happened in Honolulu, Hawaii. **AFFIRMED.**

Read The Full

Opinion: <http://cdn.ca9.uscourts.gov/datastore/opinions/2014/03/28/12-15066.pdf>

Northwest, Inc. v. Ginsberg

United States Supreme Court of The United States

2 April, 2014, No. 12-462

Alito, J., delivered the Court's unanimous opinion.

Federal Preemption: The Airline Deregulation Act of 1978 preempts state common law provisions that expand the scope of the contract rights between airlines and air passengers.

Respondent was a member of Petitioner's frequent flyer program. Petitioner has sole discretion to terminate a membership if it believed that a passenger abused the program, and did terminate Respondent's membership based upon that belief. Respondent brought a state common law claim against Petitioner for breach of the implied covenant of good faith and fair dealing. The district court dismissed the implied covenant complaint upon the grounds that the Airline Deregulation Act of 1978 ("ADA") preempts application of state contract law, including those implied covenants that would expand the scope of the relationship between the contracting parties beyond the program contract provided by Petitioner. The Ninth Circuit reversed the district court's ruling and found the connection between airline regulation and state contract law was insufficient to invoke preemption under the ADA. Petitioners appealed and the Supreme Court granted certiorari.

The Supreme Court reversed, holding that the regulation of Petitioner's rates, services, and frequent flyer program are sufficiently related to invoke the ADA and its preemptive effect over state law. The ADA is broadly written to preempt state common law provisions such as those that expand the parties' contract rights beyond those agreed upon by airlines and air passengers.

Read The Full Opinion: www.supremecourt.gov/opinions/13pdf/12-462_p8k0.pdf

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Written from wire stories, the Associated Press, Reuters, Hong Kong Shipping News Lloyds & other world sources.

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