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[Ocean Fast Facts for December](#)

We're starting this chilly December with an ocean operational "not-so-trivial" question:

What is the capacity of a 40' high cube container loaded to 100% utilization?

- 33.2 cubic meters / 1,172 cubic feet
- 76.3 cubic meters / 2,694 cubic feet
- 67.7 cubic meters / 2,390 cubic feet
- None of the above.

[Click here to see the correct answer ...](#)

CORRECT ANSWER: B. The maximum capacity of a 40' high cube container is 76.3 cubic meters/2,694 feet.

Note: Answer A is the maximum capacity of a 20' standard container and Answer C represents the maximum capacity of a 40' standard container. Congratulations to all who answered correctly!

* Source: Dictionary of International Trade - Handbook of the Global Community, 7th Edition. Edward G. Hinkelman, 2006.

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OCEAN

[Ocean "BUZZ" Word of the Month: Ex Works](#)

In last month's edition of the AIT eNewsletter, the "buzz word" of the month was the word "incoterms." This month, AIT profiles one of the most popular of the 13 incoterms, Ex works (EXW).

Ex works is an incoterm which many perceive to be impractical, as the burden of shipment costs fall to the buyer of goods. Often times, incoterms can be complex and carry different meanings, whether one speaks with a buyer or seller of freight. Understanding incoterms can have an additional impact when quoting freight shipments. Depending on which incoterms are used when a shipment is quoted, it can make a very big difference in the rate, since certain charges on freight shipments are excluded or included, depending on the type of incoterm used for the quote. Should you have questions when dealing with incoterms, please contact your AIT representative to assist! It will ensure an-apples-to-apples comparison when determining your transportation costs.

EX WORKS (EXW): The responsibility of the seller is merely to furnish the goods, packed for export, on his or her loading dock. The buyer must make all transportation arrangements from the seller's loading dock to the buyer's own country, including first carrier loading (i.e., loading the pick-up vehicle). The buyer also must arrange for export clearance from the seller's country.

Export control among members is minimal and where the buyer's truck can often conveniently call on the seller's factory. The EX WORKS incoterm must always be followed by the name of a place (which is almost always the seller's facility). This term places greatest responsibility on the buyer and minimal obligations on the seller.

Examples: EXW Ex Works Widgets Factory, Toledo, OH
EXW Ex Works Wong Clock Works Factory, Shenzhen,
China

Sources: <http://www.exporter.com/moreus.asp?ID=10>
Dictionary of International Trade - Handbook of the Global Community, 7th Edition. Edward G. Hinkelman, 2006.

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Asia to USA into 2008 = Increases Proposed

The Transpacific Stabilization Agreement (TSA), representing 14 container lines serving the trade from Asia to the United States, announced a plan in mid-November for revenue recovery amidst rising fuel and operating costs. The plan involves several points that affect the 2008 negotiation season and rate levels. At this time, the increases are proposed and it is too early to tell if the increases will hold. As much of the AIT customer base moves freight from Asia to the United States, it is important to be aware of these proposed changes, as they will have an impact on rate and surcharge validity well into the 2008 shipping season. Key elements of the proposed plan are as follows:

- Freight rate increases of \$400 per 40-foot container for U.S. west coast port-to-port and door cargo, and \$600 per 40-foot container, including intermodal and U.S. east coast all-water shipments.
- Restoration of a floating bunker fuel surcharge; broken out from base rates and adjusted on a regular basis to reflect bunker fuel price fluctuations.
- A \$400 per FEU peak-season surcharge on all shipments during the period from June 1 through Oct. 31, 2008. The surcharge would be subject to adjustments relating to the timing, duration and strength of the peak season.

The lines also plan to change the contract negotiation period. Typically, service contracts for the annual shipping season are negotiated for a May 1 effective date each year. In 2008, the carriers are extending the time period of 2008-2009 contracts by an additional two months and existing contracts will most likely be extended to expire on June 30, 2009. Going forward, the TSA carriers hope to secure 12-month contracts with July 1st effective dates.

Carriers attribute the increases in rates tied to operational costs to equipment repositioning costs, security initiatives, and "green initiatives" such as the clean-truck plan proposed in the Los Angeles-Long Beach region. For more information, please contact your AIT representative.

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Market Notes

Congestion Surcharges

Yes, global container movement is on the rise - and that means less and less space in the ports handling these containers. Several ocean carriers have recently implemented or updated congestion surcharges in such countries as India, Colombia and Chile. Ask your AIT representative to determine if port congestion surcharges apply at any of the ports in these countries.

Peak Season Capacity and Surcharges

The Peak Season from Asia to the United States is winding down. AIT recommends you still allow 10 to 14 days booking lead time into December, as late holiday shipments are still in the pipeline within Asia. Some carriers have shortened the Peak Season Surcharges (PSS) only through December; however, certain carriers, especially to the United States east coast, intend to continue to charge Peak Season into through February. Your AIT representative can clarify if Peak Season Surcharges apply to your shipments.

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The Parting "Wave"

It's December! Another year has sailed past. 2007 represented a year of transition and growth for most of the AIT Ocean client base. On behalf of the entire AIT Ocean Systems team, your support in 2007 is greatly appreciated and we look forward to serving you in 2008!

One item forthcoming in the January 2008 AIT Ocean Systems Newsletter Edition: The Second Incoterm: Freight on Board (FOB). And a look into 2008 ocean freight!

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AIR

American Airlines Profit Surges

AMR, parent company of American Airlines, earned \$175 million in the third quarter on revenue of \$5.9 billion.

Profit soared in comparison with the third quarter a year ago, when the company earned just \$15 million, partly as a result of charges for a fuel hedge fund. Revenue was only slightly higher than the \$5.8 billion in last year's third quarter.

Cargo volume fell off 7.7 percent from \$557 million ton miles a year ago to \$514 million. Revenue from cargo dropped 8 percent from \$213 million to \$196 million. In contrast with the yield from passenger traffic, which increased 2.3 percent, cargo revenue yield per ton mile dipped 0.5 percent in the third quarter.

* Source: Air Cargo World - December 2007

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AIR

Fuel Rockets Upward

Fuel surcharges at major airlines are moving to unheard-of levels this month after a skyrocketing surge in jet fuel prices. With oil prices around the world pushing close to \$100 a barrel, jet fuel prices pushed past \$2.80 a gallon in some markets in the second week of November, capping a run up that has seen fuel prices for airlines grow more than 60 percent this year.

Airlines were rushing to ramp up fuel surcharges, first to 70 U.S. cents in the middle of November and then to 80 U.S. cents, effective this month. But even those increases on regular schedules weren't keeping pace with the rising costs - the average price of jet fuel in Singapore was \$2.16 a gallon in September and by the first week of November it was just short of \$2.75 a gallon.

* Source: Air Cargo World - December 2007

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AIR

Qantas fined \$61m for price-fixing

Qantas Airways is to plead guilty for participating in a cartel to fix air cargo prices and will pay a \$61 million fine, the U.S. Department of Justice said.

The Australian carrier is the third to plead guilty for participating in the conspiracy to fix fuel surcharges on cargo flights.

In August, British Airways and Korean Air Lines each agreed to pay fines of \$300 million for their roles in the air cargo case and separate investigations involving fuel surcharges on passenger flights.

As part of the plea agreement, Qantas agreed to cooperate with the Department of Justice's ongoing investigation into the matter.

* Source: Cargo News Asia - November 28, 2007

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AIR

Air India posts net loss of \$113m

Air India suffered a net loss of \$113 million in the 2006-07 financial year, mainly due to higher operating costs and lower revenues.

The airline had a net profit of \$4.11 million the previous year.

A senior airline official said that while the fuel cost, which accounted for about 35 percent of the operating cost, increased by \$97.41 million or 12 percent, the revenues fell by \$83 million. In addition, the airline had to pay \$107.25 million on account of payment of wage arrears.

The interest costs on working capital alone increased by \$39.11 million to \$60.31 million. In addition to this, the airline had to pay \$50.47 million on long-term borrowings made to fund its fleet acquisition.

* Source: Cargo News Asia - November 26, 2007

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AIR

Steady growth lifts Hong Kong Air Cargo figures

Cargo traffic at Hong Kong's international airport grew 4.4 percent in the 12 months ending on October 31, with the cargo terminals handling 3.7 million tons.

The Airport Authority reported that in October, cargo handled rose by 7.6 percent to 353,000 tons from 328,201 tons a year earlier.

Air traffic movements for the month rose 5.8 percent to 25,830 from 24,409 a year earlier.

The airport authority is investing over \$641 million in the next few years to boost capacity at the airport as passenger traffic surpasses its current annual handling capacity of 45 million.

The authority expects cargo to rise to eight million tons by 2025.

* Source: Cargo News Asia - November 19, 2007

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AIR

Northwest participates in landmark trade mission to Vietnam; Needs restrictions eased to begin new service

EAGAN, Minn. - (December 3, 2007) - Northwest Airlines (NYSE: NWA) participated in the first-ever U.S. trade mission to Vietnam and is ready to begin new service as soon as government restrictions are eased. Northwest would serve Vietnam via Tokyo, the focal point of Northwest's vast Asia-Pacific network.

"Vietnam has a vibrant, growing economy that is expanding at an annual rate of eight to ten percent," said Fred Deschamps, Northwest's vice president - international marketing and sales, who is on the trade mission led by U.S. Commerce Secretary Carlos M. Gutierrez. "Northwest wants to participate in the development of this exciting new market and bring the benefits of a new U.S. carrier - and the NWA network - to Vietnam."

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AIR

SAS to launch direct flights to San Francisco, New Delhi

Scandinavian airline operator SAS will launch direct flights to San Francisco, U.S. and New Delhi, India, next autumn.

The company will offer four flight connections a week between Copenhagen, Denmark and New Delhi in November 2008. It will also launch three non-stop weekly flights between Copenhagen and New Delhi.

SAS said the move is being made possible through the expansion of the fleet by another Airbus A340 aircraft and is part of the company's expansion strategy.

Earlier this year, SAS opened direct flights from Stockholm to Bangkok and Peking, as well as from Copenhagen to Dubai in the United Arab Emirates.

* Source: Cargo News Asia - November 9, 2007

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COMPLIANCE

December 24, 2007

Has been declared a federal holiday, with all departments and agencies of the federal government closed. Certain offices and installations will be staffed if they need to be open for reasons of national security or defense, or for other public need. See below for the notice from Federal Register:

Federal Register
Vol. 72, No. 237
Tuesday, December 11, 2007
Title 3-

The President
Executive Order 13453 of December 6, 2007:

Closing of Executive Departments and Agencies of the Federal Government on Monday, December 24, 2007

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

Section 1: All executive branch departments and agencies of the Federal Government shall be closed and their employees excused from duty on Monday, December 24, 2007, the day before Christmas Day, except as provided in section 2 below.

Section 2: The heads of executive branch departments and agencies may determine that certain offices and installations of their organizations, or parts thereof, must remain open and that certain employees must report for duty on December 24, 2007, for reasons of national security or defense or other public need.

Section 3: Monday, December 24, 2007, shall be considered as falling within the scope of Executive Order 11582 of February 11, 1971, and of 5 U.S.C. 5546 and 6103(b) and other similar statutes insofar as they relate to the pay and leave of employees of the United States.

THE WHITE HOUSE,
December 6, 2007.

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COMPLIANCE

Federal Holidays in 2008

The official list of Federal Holidays for 2008 was published by Customs as Administrative Message 07-0257:

January 1:	New Year's Day
January 21:	Martin Luther King, Jr.'s Birthday (Observed)
February 18:	President's Day
May 26:	Memorial Day
July 4:	Independence Day
September 1:	Labor Day
October 13:	Columbus Day
November 11:	Veterans Day
November 27:	Thanksgiving Day
December 25:	Christmas Day

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Questions & Contact Information

If you have any questions or comments regarding this eNewsletter, please contact one of the following representatives. Thank you.

Ocean: [Chris Jostes & Kevin Krause](#)

Air Freight: [Joseph Hoban](#)

Compliance: [Paul Codere](#)

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