

In This Issue:

- Ocean Fast Facts for October
- Ocean "BUZZ" Word of the Month: Draft or draught
- Draft - See how the ships float!
- It's October - Time to Chill Out!
- Imports from Asia: A Mid-Term Peek at Peak!
- Tax Rebate Incentives Update, 2nd Round - China
- Market Notes
- General Market Advisory: Bunker Adjustment Factor Increases between USA and Europe
- Pier Pass at Los Angeles / Long Beach
- Prince Rupert: The new Gateway from Asia to the U.S. Interior
- The Parting Wave
- Who's On Top?
- Top 50 Airlines - Air Cargo
- Northwest Airlines - In the News
- China Expansion
- Service Improvement
- Industry Results
- Can you hear me now?
- Draft plan for "10+2" program due from Customs in October
- Registration Opens October 1 for CBP Trade Symposium
- Questions & Contact Info

Ocean Fast Facts for October

This month, AIT Ocean Systems team is taking a different approach to the Ocean Fast Facts for the month and asking a very timely question:

Question:

Which newly opened ocean container port contains 3 post Panamax cranes with a reach of 22 containers, 20,000 feet of intermodal track, and is already equipped to handle 12,000 TEU (among the largest container ships in service currently) when it opens later this month?

Answer: The Port of Prince Rupert, British Colombia, on Canada's West Coast

Source: Journal of Commerce, September 10, 2007.

[Back to top](#)

Ocean "BUZZ" Word of the Month: Draft or draught

Definition: The vertical distance between the waterline and the bottom of the keel of a vessel. The draft of a vessel determines the minimum depth of water in a channel or waterway required for the vessel to travel safely.

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

[Back to top](#)

Draft - See how the ships float!

Occasionally, ocean carriers will roll cargo for several reasons: overbooking, vessel stability, or vessel weight. Any of these factors can affect the actual draft of a vessel in a given harbor or harbors where a vessel calls during its port rotation. It is important to be mindful that even though a vessel may not be booked to full allocation, your cargo can be rolled if the draft of the vessel exceeds the allowable draft at any of the voyage's ports of call. Draft is also affected by the tides, which can also affect sailing time of a vessel. Some vessels can only sail a given port if the tide is high so the vessel doesn't run aground. The ship simply cannot pass into the port to load or off-load containers unless draft is less than the water depth, at any tide level. From time to time, cargo does get rolled and sometimes it is in your best interest; especially if vessel draft restrictions are the reason...and your cargo will get safely off-loaded rather than running aground.

[It's October - Time to Chill Out!](#)

Yes, it's Peak Season. Ships are full and store shelves are already filling up with holiday consumables. The hot temperatures of summer are distant memories as the cool winds shift into holiday season, at least for those in the northern tier of North America. Often times, as the seasons are changing, not much consideration is given to temperature fluctuations at sea while containerized cargo is in transit. Even though several AIT customers move non-perishable cargo or cargo that would not typically be categorized as non-perishable cargo, the freight can very well be subject to extremes while in transit. For the educated shipper, it is vital to understand the importance of the swings in temperature and humidity and its impact on containerized cargo.

In 2006, a study entitled, "Ocean Container Temperature and Humidity Study" was released by David A. Leinberger, a Senior Packaging Engineer for the Xerox Corporation. The study touches on some very concerning points, which may benefit you as an educated purchaser of freight transportation. The study covered container temperature and relative humidity monitoring over three common shipping routes of varying latitude and longitude between April 2004 and January 2006. The key findings of this study revealed that temperature levels in a standard dry container can range between -21F and 135F! Shippers of goods that are "borderline" perishable should read this study and determine if special refrigerated or insulated containers will help ensure safe movement of your cargo, especially during extreme hot or cold months. Your local AIT representative can also assist as well.

To read the complete study, visit:

www.ista.org/Resources/TempRH%20Data/LEINBERGER_Dimensions06_paper.pdf

[Imports from Asia: A Mid-Term Peek at Peak!](#)

Peak Season is in full swing, and it has been a unique situation for ocean freight. Capacity leaving Asia to the United States remains tight. Vessels remain full, especially out of North China ports (Shanghai, Ningbo). As a reminder, Golden Week, the Chinese national holiday, is the first full week of October. Suppliers, vendors and agents alike may be closed or at limited staff so there is an expected spike in cargo bookings from all China ports immediately before and following the Golden Week holiday. Remember to allow as much lead time as possible, particularly 10 to 14 days, to secure ocean container equipment and vessel space availability during this time and for the remainder of Peak Season.

Interestingly enough, according to the September 24 issue of the Journal of Commerce, there was a drop in containerized ocean import volumes at most of the ports on the U.S. west coast. In August 2007, the volumes in Los Angeles were down by 7.7% over the same period in 2006. Decreases were also seen between 2.6% Tacoma and 6.1% in Long Beach. The Journal of Commerce article cites the housing slump and furniture having the biggest affect on these decreases. In the U.S., the American Association of Railroads is similarly echoing softening volumes from Asia. As reported in the September 17, 2007 issue of Pacific Shipper magazine, there was a drop in container volumes by 4.2% from August 2006 vs. August 2007. This also could be a result of the fact that more customers are routing their cargo by direct truck routings

vs. rail, as some railroads increased their intermodal rates with the ocean carriers earlier this year.

Another sign of a flat import trend from Asia is the fact that Peak Season surcharges remain at status quo. The additional "Second PSS" proposed for October has not been realized and implemented by carriers as of this writing. A possibility still exists for the second peak season surcharge to go into effect, but carriers have been hesitant to apply it, indicating that the supply of space and equipment are not strained. Currently, pockets exist in certain locations, such as Busan, Korea, which may require additional time to make equipment available.

The article also points out that due to the weak dollar, U.S. exports remain strong. Ocean carriers are reporting heavy lift from U.S. ports going to Asia and Europe.

[Back to top](#)

[Tax Rebate Incentives Update, 2nd Round - China](#)

AIT has frequently been reporting that the Chinese government reduced tax incentives for export goods to shippers in China. This reduction caused a spike in shipments in late June into July.

A rumor remains within the industry that the Chinese government may impose a second round of tax reductions aimed at the commodities of textiles and steel. These were the same industries targeted in the first round of reductions this year, and exporters of these materials should be advised. Exporters in China will have less incentive to ship after these reductions are levied; therefore, spikes in shipments could arise just before these reductions are enacted so that the exporter can retain the additional tax incentive.

There are several publications on the Internet which may help keep you educated on the "rumor" in the market that the Chinese government may again announce an additional reduction in tax rebate incentives by the end of October. The next round of incentive reductions may target exporters of raw materials, so if you are involved with importing raw materials, your suppliers may be directly affected by this change.

A basic explanation of the initial tax incentive reduction can be found by clicking on the following link:

[http://www.tdctrade.com/alert/cba-e0707h.htm?
w_sid=194&w_pid=703&w_nid=&w_cid=&w_idt=1900-01-01&w_oid=165&w_jid=](http://www.tdctrade.com/alert/cba-e0707h.htm?w_sid=194&w_pid=703&w_nid=&w_cid=&w_idt=1900-01-01&w_oid=165&w_jid=)

[Back to top](#)

Market Notes

Virginia International Terminals, which operates the Port of Norfolk (Norfolk International Terminals) is offering Saturday hours during Peak Season through December 1. This will allow truckers access to the terminals and the empty container yards to assist with on and off terminal congestion in the Norfolk area during the workweek.

[Back to top](#)

General Market Advisory: Bunker Adjustment Factor Increases between USA and Europe

Bunker Adjustment Factors (BAF) levels are steadily rising. The Trans Atlantic Conference Agreement (TACA) conference carriers are the latest to adjust their BAF levels between the United States and Europe. For the current BAF levels, please refer to the TACA Conference Website: <http://www.tacaconf.com> under their current press releases.

[Back to top](#)

Pier Pass at Los Angeles / Long Beach

There will be no late Pier Pass Gates October 4th. Please plan accordingly!

[Back to top](#)

Prince Rupert: The new Gateway from Asia to the U.S. Interior

As mentioned in the Ocean Fast Facts for the month of October, COSCO is the first ocean carrier to announce service into the newly opened Prince Rupert Port on their PNW service rotation. COSCO will be offering service to/from Asia (Hong Kong, Yantian, Shanghai, Busan, Kwangyang and Yokohama). COSCO's new weekly service to the port provides yet another alternative for intermodal cargo moving into the U.S. interior to such cities as Chicago, Minneapolis and Indianapolis, and will eventually act as a reliever port for Vancouver, Seattle/Tacoma, Portland, Oakland and Los Angeles/Long Beach.

AIT is already offering FCL cargo for the first sailings via Prince Rupert. This service offers congestion-free terminal handling and mid-sized ships in the 5500 TEU range. Intermodal service to/from the port is provided by the CP Rail. For more information on rates, service and schedule information, contact your AIT representative and be among the first to receive royal treatment via this exciting new gateway.

Ask your AIT representative for more information.

[Back to top](#)

The Parting "Wave"

On behalf of the entire AIT Ocean Systems team, have a great fall!

One item forthcoming in the November 2007 AIT Ocean Systems Newsletter Edition: The Slump Season

[Back to top](#)

Who's On Top?

It takes some time to add up the total IATA dollars spent by the global air freight forwarders for commercial carrier lift. Slowly but surely, the numbers are being published in the press. Thus far, the 2006 results for Europe, the United Kingdom, and Asia-Pacific have been released. AIT Worldwide Logistics congratulates our partners in the following countries for their 2006 performance. This list demonstrates AIT's use of the most recognizable industry leaders in air cargo, those boasting strong buying power with the commercial carriers supported by a loyal and ever-growing customer base.

Country	AIT Partner	Country Ranking	Rev in US\$ Million
Korea	Haeyoung Global	# 5	\$49.06
Hong Kong	On-Time Express	# 16	\$30.07
Hungary	Cargo-Partner	# 3	\$10.04
Bulgaria	M&M Air Cargo	# 1	\$6.97
Austria	Cargo-Partner	# 5	\$6.72
United Kingdom	Davies Turner Air Cargo	# 11	\$6.45
Spain	Tamex	# 10	\$6.09
Czech Rep.	Cargo-Partner	# 6	\$4.24
Slovenia	Cargo-Partner	# 1	\$3.29
Poland	Cargo-Partner	# 3	\$2.99
Denmark	Strait Air Transport	# 7	\$2.03
Poland	M&M Air Cargo	# 7	\$1.61
Vietnam	FDI Co. Ltd.	# 8	\$1.50
Belarus	M&M Militzer	# 2	\$0.45
Ukraine	M&M Militzer	# 2	\$0.42

[Back to top](#)

Top 50 Airlines - Air Cargo

Keeping with the "Who's on Top" theme, the September 2007 issue of Air Cargo World listed the Top 50 Airlines in relation to tonnage carried. In the cargo industry, the barometer is known as FTK's, or Freight Tons Kilometers, which is the amount of freight carried over a distance. The Top 10 cargo carriers reported are as follows:

1. FedEx Express
2. UPS
3. Korean Air
4. Lufthansa
5. Singapore Airlines
6. Atlas Air / Polar Air
7. Cathay Pacific
8. China Airlines
9. Air France
10. Cargolux

Northwest Airlines (featured below) was ranked #17.

[Back to top](#)

Northwest Airlines - In the News

As part of our continuing focus on carriers' efforts to "go green," this month we highlight Northwest Airlines' continuing efforts to be environmentally conscious and raise awareness among employees and within the community. To demonstrate that commitment, NWA took the opportunity to use their monthly employee newsletter (which usually focuses on safety) and review the company's combined efforts to protect the environment.

Tim McGraw, Director - Safety, Health and Environmental Management wrote, "Several years ago, Northwest officially adopted a statement of "environmental commitment." It reads, in part, that NWA will help "minimize our impact on the environment where practical and possible. We do so for the benefit of our employees and customers, future generations, and the global environment in which we operate."

Since then, Northwest has quietly but steadily stepped up its commitment to leverage its environmentally responsible practices. Now, with the heightened public focus on conserving environmental resources, it's time to discuss the many ways in which NWA's efforts are having a positive impact.

A few highlights from the review include:

- **Fuel conservation** - We are very aggressively looking to conserve fuel, which has an impact both on our bottom line (fuel is our biggest operational cost) and on air emissions.
- **Employee involvement** - We've said many times that the involvement of our own employees plays a key role in our success, and the active participation of NWA employees on the Fuel Cent\$ team is a great example.
- **Recycling** - In 2005, we recycled more than 1.5 million pounds of material from our maintenance operations. We recycled more than 350,000 pounds of steel, aluminum and mixed-alloy metals from Minneapolis/St. Paul (MSP) alone in 2006.

- **Noise Reduction** - We are continually looking at ways to be a better partner in the communities we serve.
- **Next Generation Air Traffic Control** - Northwest supports the government's attempts to reauthorize the FAA's funding mechanism and modernize the air transportation system.
- **Environmental Partnerships** - In addition to our internal efforts, NWA continues to work with environmental agencies that help preserve and protect the environment.

[Back to top](#)

China Expansion

As the China/U.S. air freight market continues to expand, American based carriers continue to petition the government for new routes to serve the cargo and passenger market. In September, Northwest Airlines announced a new nonstop service route between Shanghai and Detroit:

NORTHWEST AIRLINES AWARDED TENTATIVE U.S. DEPARTMENT OF TRANSPORTATION APPROVAL FOR NEW U.S.-CHINA NONSTOP SERVICE

EAGAN, Minn. - (September 25, 2007) - Northwest Airlines (NYSE: NWA) today was notified by the U.S. Department of Transportation (DOT) that its bid to provide new nonstop service between Detroit and Shanghai has been tentatively approved effective March 25, 2009.

"This is a great development for travelers who need convenient nonstop service between the U. S. and China. We're pleased with the DOT's decision which clearly serves the DOT's stated goals of enhancing competition and providing travelers with a diversity of choices that maximize public benefits," said Doug Steenland, Northwest president and chief executive officer. "We're grateful to the 136,000 Northwest customers, corporate clients, partners, elected officials and employees who wrote in support of our bid. I would like to also thank the U.S. Government for its success in negotiating the new air service agreement that made today's announcement possible."

[Back to top](#)

Service Improvement

NWA Cargo is the largest U.S. flag passenger carrier with a dedicated all cargo fleet. Having experienced service problems this past summer involving crew and mechanical difficulties, NWA put forth a concerted effort to improve service reliability. Some of these improvements included:

- Creation of a spare freighter parked in Anchorage
- Ten additional mechanics assigned to Tokyo's Narita Airport
- Additional maintenance stops in Taipei
- Anchorage Maintenance base in progress
- A second spare aircraft added to Anchorage in mid-September

[Back to top](#)

Industry Results

We wish we could give you September results in October; however, the numbers aren't accumulated and checked that quickly. In September, IATA's "Industry Times" reported year-to-date results as of July 2007, and the news for air cargo was positive.

- Freight demand continued its recent rebound with 5.5% demand growth in July, up from 4.9% growth in June and well above the 2.7% growth seen in the first half of 2007
- Year-to-date freight demand has risen 3.8%
- Middle East carriers led demand growth in freight with 11.1%
- Asia Pacific carriers boosted global totals with freight demand of 8.2% in July

[Back to top](#)

Can you hear me now?

Of all the headlines and stories leading the industry publications this past month, the one that spoke the loudest was the most silent! Air Cargo News, September 21, 2007, headline screamed, "We have no voice: Freighter community slams IATA and TIACA and calls for drastic change to face the challenges ahead."

In AIT's June 2007 eNewsletter, we noted a comment made by Lufthansa Cargo Chairman Carsten Spohr, who pointed out that for a relatively small industry, we seem unable to speak with one voice when it comes to issues facing us collectively, such as security. That comment resonated throughout this recent cry for unity. During the 2007 Freighters World Conference held in Geneva, industry leader after leader noted that despite interest groups such as IATA and TIACA, air cargo suffers from "the inability of any organization or association to effectively represent its interest."

Stan Wraight, Chairman of Cargoitalia, summed up the frustration best by stating, "IATA...is dominated by passenger carriers, and TIACA has no voice in the industry."

If so, why is this true? Why can't cargo carriers, forwarders, airports and others team together as a lobbying group? Our goals are the same: serve our internal and external customers, grow profitability, find opportunities, and differentiate ourselves. Is it the old mistrust over the unanswered question, "Who 'owns' the shipper?" Is it that each of us makes a profit by use of the other's service and each do not want the other to know how much?

An example of our need to speak as one voice concerns the "green" efforts by carriers and those self-appointed to protect the environment focusing on CO² emissions. Without "one voice," the commercial cargo industry is a target for those who cannot take on passenger travel by simply suggesting "fly less." In AIT's August eNewsletter, we again referenced Carsten Spohr:

Air Cargo News reported in their June 22 issue that "Lufthansa's Cargo's Chairman, Carsten Spohr, has warned the industry that it is likely to face punitive measures and penalties in the ongoing frenzy over carbon emissions." Mr. Spohr was quoted as saying, "Although commercial aviation as a whole contributes only a couple of percent to worldwide emissions, we have become a major target for politicians and the media."

Without global leadership speaking on behalf of the air cargo and passenger industry, jet transportation and its effect on the environment is left unprotected. Air transportation and its associated partners, such as airports, do need an advocate with a global voice.

At the CNS Conference, Jens Tubbesing, President of Cargo Network Services, shared a perfectly fitting analogy in the form of a story from the Peanuts cartoon strip. Linus is watching TV when his sister Lucy comes into the room and wants to watch something else. Linus objects, demands that he was in the room first, and wants to watch his show. Lucy holds up her hand, fingers outstretched, and states that individually, the five fingers are not very strong; however, clenched into a fist, they become powerful. Linus ultimately gives in and leaves the room dejected, asking his own hand, "Why can't you work together like that?"

That is precisely what we need to be asking ourselves.

[Back to top](#)

[Draft plan for "10+2" program due from Customs in October](#)

The draft plan to the "10+2" program is expected to be released by Customs during October. Importers have been anxiously waiting to see which data elements will be added to the ones that are already required by the current 24-hour advance manifest filing rules.

The initial comment period regarding this matter ended last February, and the trade community had many questions, including:

- What the required data elements would be
- Who would be responsible and/or legally able to forward the data to CBP
- How to keep secure any confidential data elements

The initial proposal can be viewed online by visiting the following link: http://www.cbp.gov/linkhandler/cgov/import/carriers/adv_data_elements.ctt/adv_data_elements.doc

There will be a 60 to 90-day public comment period after the draft is released before the final regulation is published. It is likely that the program will be phased in over a one-year period before full enforcement takes place.

[Back to top](#)

Registration Opens October 1 for CBP Trade Symposium

CBP's eighth annual trade symposium will be held on November 14 and 15 at the Ronald Reagan Building and International Trade Center in Washington D.C. This year's theme is "Partnerships - Meeting the Challenges of Securing and Facilitating Trade." Registration will open on Monday, October 1, and must be completed online at www.cbp.gov

"CBP's symposium has been our venue to announce future initiatives, share accomplishments and tackle challenging international trade issues," said Michael Mullen, CBP Assistant Commissioner for International Affairs and Trade Relations. "I look forward to hearing the views of the international trade and transportation community on our common goals of trade security and facilitation at the Symposium."

Note: A detailed agenda will be available shortly on CBP's web site. (www.cbp.gov). Members of the trade community interested in more information may call 202-344-1440.

[Back to top](#)

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](#)

[Back to top](#)

Unsubscribe

Please [click here](#) to remove your name from this listserv. Thank you.

[Back to top](#)
