

JanuaryNews

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Editorial

Dear Readers,

Welcome to this issue of our January News!

This issue's feature article is Importer Security Filing with details regarding the enforcement phase beginning 01/26. In addition, there is an Ocean market update discussing capacity shortages and how they affect shippers. Finally, you will find general information on the Domestic U.S. rate changes effective in March.

Please enjoy reading this issue.

DB Schenker

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Importer Security Filing Update

With U.S. Customs and Border Protection's enforcement phase beginning on 1/26/2010, as the ISF Importer and responsible party for liquidated damages, will you be in compliance ?

If you have not already filed or had an ISF filed on your behalf it is critical that you instruct your supply chain partners to provide the required ISF (10+2) data elements in advance of your next ocean shipment. Please contact your local Schenker Branch for guidance.

We appreciate that as a responsible Importer you are receiving a range of ISF communications from the trade community and regulatory organizations and so we have attempted to summarize for you some of the key items as the enforcement date rapidly approaches.

CBP's latest comments on enforcement:

CBP officials have stated that they:

- Will take a "measured approach" to enforcing the ISF requirements. However this should not be compared to the approach used for the 24 hour rule given the one year delayed enforcement period and CBP's issuance of liquidated damages and mitigation guidelines, among other factors.
- Will use the least punitive enforcement measures necessary to promote ISF compliance. Their focus is on obtaining compliance by direct communication with the trade including issuing warning letters, increasing the number of examinations, and only if necessary, withholding cargo release. CBP does not plan to use the "do not load" (DNL) option without proper reason.
- Will not be as accommodating for those Importers that did not take advantage of the delayed enforcement period (January 26, 2009 – January 25, 2010).
- All ISF penalty decisions will be cleared first by Headquarters. Penalties will be initiated by the ports, but they will be "centralized" at Headquarters.

Liquidated Damages:

Under the ISF Ruling, importers are liable for a maximum of \$10,000 per ISF transmission for the following reasons:

- Late Filing: \$5,000 if the ISF is not filed at least 24 hours prior to vessel lading. This includes untimely filing of an ISF update and/or flexible ISF option.
- Inaccurate Filing: \$5,000 per inaccurate and/or incomplete ISF if any of the data elements are missing.

- This includes if the Bill of Lading is missing and/or does not match with the ISF transmission 24 hours prior to vessel lading. The Bill of Lading must provide the lowest denomination of the cargo (i.e. House Bill of Lading).
- Amended Filing: \$5,000 for any inaccurate ISF update including an incorrect update to a flexible filing.
- Failure to Withdraw a Filing: \$5,000 for failing to withdraw a filing

Bonds Required from 1/26/2010:

Bonds for Importer Security Filing purposes will be required beginning January 26, 2010.

Depending on the circumstances (e.g. whether the ISF is part of a Unified filing or filed as a Stand Alone filing) and the Importer's preference, a continuous bond, a single transaction bond, or an Appendix D ISF "stand alone" bond (continuous or single transaction) will be required.

If you do not secure a Continuous Import Bond, under Customs regulations you will be required to post and pay for a separate ISF Bond so we recommend that you apply for a Continuous Form 301 Bond.

Summary:

Bond Type	Stand Alone ISF	Unified ISF	Bond Filing Location
Continuous CBP Form 301 - Activity Code: 1 (Basic Importation & Entry Bond)	Yes	Yes	Revenue Division
Continuous CBP Form 301 - Activity Code: 2 (Basic Custodial Bond) 3 (International Carrier Bond) 4 (Foreign Trade Zone Operator Bond)	Yes	No	Local Post (processed by Revenue Division)
ISF Continuous	Yes	N/A	Revenue Division
Single Transaction CBP Form 301 - Activity Code: 1 (Basic Importation & Entry Bond)	N/A	Yes	Port of Entry
ISF Single Transaction	Yes	N/A	ISF_Bond@cbp.dhs.gov

Recommended Next Steps

- If you wish Schenker to be your designated ISF agent contact your local Schenker Branch as soon as possible.
- Since the enforcement phase begins on 1/26/2010 you will need to obtain and send the required data elements to your local Schenker Branch.
- Contact your vendors immediately to obtain the required ISF data elements.
- Apply for a Continuous Bond Form 301 if you do not have one in place already. Call your local Schenker Branch for assistance.
- If you are not part of the ISF data exchange we suggest you arrange this with your vendors. This will support your compliance to the Ruling and enable you to promptly address any compliance issues (data quality and timeliness) to reduce your penalty exposure.

Major Challenges in Ocean Space Crunch from Asia

Shipping and market conditions at a 12-year low.

Ocean Routings via Asia to North America have become extremely difficult due to capacity shortages and the situation is expected to remain tight. The current situation presents similarity to the conditions in the market that took place in 1998 when there was a surge of bookings combined with capacity cuts on Transpacific resulting in a 3 week backlog and a substantial increase per 40ft container in a short time frame.

Today, the current market conditions have presented:

- a) Carriers such as Grand Alliance (inclusive Hapag) to reduce capacity 50% or more due to winter schedules.
- b) An extensive surge of bookings for carriers due to companies shipping to avoid the rush by Jan 15 GRI/ERC, to avoid capacity reductions due to winter schedule accommodating Chinese New Year, and to meet needs of overall inventory replenishment at their facilities.
- c) Importers to sign for low MQC's, even though some importers may have contracts in place with fixed rates. From a contractual point of view, carriers should be obligated to accept MQC or validity date - whichever comes first. In normal times with space open, carriers will continue to accept past MQC/Target numbers.
 - With all shippers caught in the space crunch and majority having exceeded the MQC's, all major shippers have accepted the full GRI/ERC of \$400 per 40ft (and \$500 MLB for Canada)
 - Carriers' are under excessive pressure from their financial management since revenue from TPEB stands out as significantly lower than other trades. (e.g. Continuing losses TP service compare unfavorably with Asia/Europe Increases since July 2009 totaling US\$ 1700 per TEU or \$ 3400 per FEU including PSS for current Asia/Europe rate of US\$ 4300 per FEU)
 - In addition, the carriers' financial management have yield management programs that seek out the highest revenue containers at this time.
- d) Capacity shortages expected to last through the end of first quarter 2010 with some carriers asking for "Premium" rates i.e. rates much higher than announced GRI/ERC to make space available.
 - The erratic behaviour by ocean carriers (coupled with space/yield management i.e. container space allocated first generally to the highest revenue), will mean - at least in the short term - possible disruption to your supply chain and immediate cost increases to accommodate the need to move shipments timely.

Schenker is working with the carriers to provide solutions for time sensitive cargo, however these carriers for the most part have rate levels higher than current levels you enjoy and are limited in options due to the current congestion on all vessels.

Since the carriers will continue to make capacity low and rates high we expect tight capacity through the end of first quarter at premium rates. We appreciate your business and look forward to working with you through the capacity shortages. Our main focus is to work with you to keep your supply chain moving - even if it means the acceptance of the GRI/ERC for now. The reality is that there is not enough space to move all shipments and increasingly it is becoming "First Come First Serve" market - even if the GRI/ERC is accepted, therefore booking well in advance of normality is expected with some carriers forecasting 2 week carry over on bookings.

If you have multiple bookings, we suggest you prioritize them so that we ensure the right containers get on board the vessel at the right time. Please confirm to us in a timely manner, in writing, your acceptance of the GRI/ERC, if applicable. Schenker will not move your shipments without confirmation to avoid any mutual misunderstanding in the future.

We are available to assist you in exploring options for your time sensitive cargo, please do not hesitate to contact us with your priorities.

DB Schenker to raise U.S. domestic rates March 1, 2010

First general domestic rate increase for USA customers since 2005

(Freeport, NY-January 5, 2010) DB Schenker announced today a USA domestic rate increase effective March 1, 2010. The rate increase will affect U.S. domestic and transborder shipments between the U.S., Canada and Mexico utilizing the company's integrated domestic network.

The rate changes vary by product and range from no increase for Guaranteed First Arrival and 1-day Saver, to an average of 4% for ground products and 6% for air products along with select accessorial fees.

"We continuously monitor our costs and evaluate customer demand to provide the most effective operating situation that meets their requirements. This increase is necessary at this time to enable us to continue operating at the levels that our customers have come to expect," said Heiner Murmann, CEO, Schenker, Inc.

DB Schenker combines all transport and logistics activities of Deutsche Bahn, employing over 91,000 staff spread across about 2,000 locations in about 130 countries. With turnover of over 19 billion Euros, DB Schenker is a leader in air and ocean transport, in European land transport on road and rail, in contract logistics, as well as in global supply chain management. In the USA, DB Schenker provides guaranteed overnight delivery and time-definite ground services. With this very special combination, DB Schenker can provide quick and efficient solutions for virtually all client requirements. For more information on DB Schenker services in the USA, call toll-free 800.225.5229 or go to www.dbschenkerusa.com.

Deutsche Bahn supports help for Haiti

DB Schenker is organizing the delivery of emergency relief supplies for "Wings of Help"

(Berlin/Frankfurt, 14 January 2010) On behalf of the "Wings of Help" organization, DB Schenker is organizing the delivery of emergency relief supplies by air freight to the people in the Haiti disaster area.

Donations, primarily from industry, are arriving at Schenker Deutschland AG's site in Kelsterbach, in the immediate vicinity of Frankfurt International Airport. Materials such as medical supplies and powdered milk are being prepared for shipment by young DB Schenker employees working throughout the night on a voluntary basis.

"We're putting all our effort and expertise into getting the emergency supplies from Germany quickly and smoothly to Haiti. It helped us enormously that we provided more support for our Frankfurt sites last year with a new DB Schenker air freight hub. It means that our logistics operations are now much more efficient and we will be able to get the shipments of humanitarian relief even faster to the victims of this terrible natural disaster who are in need of help," said Dr. Rüdiger Grube, CEO and Chairman of the Deutsche Bahn Management Board on Thursday in Frankfurt.

"Wings of Help" is the German group of a network of civil aviation organizations that operates throughout Europe and supports relief activities all over the world.

DB Schenker is working with the airlines to coordinate emergency shipments to Haiti. If you are planning to send freight to the area, please contact your local DB Schenker office or our Global Customer Service Center prior to requesting a pickup to ensure that there is available capacity that meets your shipping requirements. Call toll-free, 800-225-5229.

DB Schenker wins contract worth over € 350 million for Australian Gorgon Project

Kellogg Joint Venture, a consortium under contract of Chevron, ExxonMobil and Shell, has awarded DB Schenker the contract to provide worldwide and national transport for the Gorgon Project, a major gas project in Australia.

(Sydney/Berlin/Essen, 4 January 2010) The project has a total investment volume of € 25 billion making it the biggest gas production undertaking in Australia, and currently one of the largest in the world. According to estimates, the Gorgon field, which is located on the northwest coast of Australia, holds 40 trillion cubic meters of gas. Plans call for a gas liquefaction plant to be built on Barrow Island to utilize the gas.

The 4-year contract covers the provision of integrated logistical services by DB Schenker and has a total volume of about 500 million Australian dollars (about € 350 million). DB Schenker will transport more than two million freight tons of to module production plants in Asia and/or directly to Australia. "We are proud to participate in such a significant enterprise. Providing logistical services for

DB Schenker wins contract worth over € 350 million for Australian Gorgon Project

(Cont.) complex projects like this one is a challenge that we can master thanks to the experience and expertise of our specialists,” said Thomas C. Lieb, Chairman of Schenker AG.

DB Schenker’s involvement in this major project underlines its role as the leading global logistical service provider of project-related, tailor-made, freight management services. Ron Koehler, CEO Schenker Australia Pty Ltd, explains further: „We have established ourselves as a key player in the provision of logistical services for oil and gas exploration and production projects. DB Schenker’s international network enables us to provide the contracted services at the agreed times and within the defined budget.“

DB Schenker can build on its many years of experience in the Australian market as well as an extensive list of long-time customers. The company’s participation in this major project strengthens DB Schenker’s position as a provider of logistical services in the Asia-Pacific region and in Australia.

Initial work on the project will begin shortly on Barrow Island. Plans call for the first gas to be produced in 2014.

Ocean Market Update - First Quarter 2010

Further to our general ocean market update at the beginning of December 2009, the confusion/revenue focus of the ocean carriers continues to take shape as projected:

(a) Ocean container volumes have increased and are accelerating as Chinese New Year (Feb 14, 2010) approaches

(b) Ocean capacity for containers have decreased e.g.:

- Grand Alliance Winter Schedules have cut their Asia to West Coast North American capacity by approx. 50%
- Grand Alliance and New World Alliance have combined their Asia to East Coast North American services as part of their combined capacity cutbacks of about 4,000 TEUs per week during the slack winter season

(c) Pressure on space has increased significantly with some carriers starting to roll/bump containers

(d) As Transpacific rates are still - in their view - below cost, the CEOs of ocean carriers have responded to pressure from bankers and have issued instructions to their respective organizations to focus on immediate revenue recovery

As you have heard already from many sources, we are all facing several cost challenges in January:

- Bunker increases on January 1st 2010
- Emergency Revenue Charge (ERC) for January 15, 2010

(In fact, one carrier, China Shipping has just announced today a second Cost Recovery Increase on February 1st in addition to the January 15 increase - though this currently only applies to Canada)

This contrasts vividly with the rate reductions that started about the same time last year

The erratic behaviour by ocean carriers (coupled with space/yield management i.e. container space allocated first generally to the highest revenue), will mean - at least in the short term - possible disruption to your supply chain and immediate cost increases to accommodate the need to move shipments timely.

This happened on the Asia/Europe trade lane during the second half of 2009 and is now happening here on the Transpacific.

As always, Schenker will work with you to manage the current difficulties - on our mutual supply chains - and which are projected to persist through the first quarter of 2010.

If you have any questions, please do not hesitate to contact your local DB Schenker representative.

Industry News

Carriers Charge NVOs to Guarantee Shipments

Source: The Journal of Commerce Online - News Story

Consolidators Asked to Pony Up More to Avoid, 'Rolling' of Cargo

Space on ocean vessels leaving Asia is tight leading up to Chinese New Year in three weeks, and shipping lines are capitalizing by charging importers at least \$200 per container to guarantee the shipment makes its intended voyage.

Carriers are levying the charge primarily on cargo consolidators, known as non-vessel-operating common carriers. It appears direct shippers, known as beneficial cargo owners, are not being charged an extra fee to get their shipments on vessels.

"I'm still getting rolled," said Pat Moffett, vice president of global logistics at Audiovox, using the industry term for cargo pushed from its intended voyage to a later ship. Although some of his bookings are being held over, no carrier has tried to get a dime from him to secure space, and they had better not try it, Moffett said.

To read the article, please go to link: <http://www.joc.com/node/416207>

Pharmaceuticals Resilient

Source: The Journal of Commerce Online - News Story

Security screening mandate is triggering industry's headache for 2010

To judge from the number of carriers and logistics providers that unveiled temperature-controlled products in 2009, the industry sector was a bastion of stability in a crumbling world.

The pharmaceuticals industry has been resilient, but not immune to the economic downturn, said Billy Tauzin, president and CEO of Pharmaceutical Research and Manufacturing of America, which represents the country's pharmaceutical research and biotechnology companies.

To read the full article, please go to link: <http://www.joc.com/node/415828>

Electronics Proving Semi-Tough

Source: The Journal of Commerce Online - News Story

After pulling back inventory, semiconductor manufacturers are ramping up when the chips are down

Despite a drop of more than 10 percent in sales for a foundation of the electronics industry, the Semiconductor Industry Association raised projections for the year ahead, based on better-than-expected performance in 2009.

By SIA estimates, worldwide sales in 2009 should amount to \$219.7 billion, down 11.6 percent from the \$248.6 billion reported in 2008, but much better than the 21 percent industry decline the group had projected in mid-2009. The SIA's revised outlook for 2010 now projects 10.2 percent growth in sales to \$242.1 billion, followed by an increase of 8.4 percent in 2011 to \$262.3 billion.

To read the full article, please go to link: <http://www.joc.com/node/415827>

Screening Test Looms For Air Shippers

Source: The Journal of Commerce Online - News Story

TSA wants more shippers to participate in security program — and avoid potential disruption after August deadline

With shipments valued in the tens of millions of dollars, Pfizer is no stranger to cargo security, so the pharmaceutical giant is taking part in the Transportation Security Administration's Certified Cargo Screening Program.

"Our security requirements are pretty set," said Brad Elrod, Pfizer's director of global conveyance security. "We have a very expensive product. We want to know who has his hands on it and is authorized to do it."

Come August, the TSA will require all domestic air cargo moving in the bellies of passenger aircraft to be screened for terrorist bombs. Last February, the agency met a congressional requirement that 50 percent of the cargo be screened, but reaching 100 percent will be a more difficult goal for everyone in the supply chain, said Douglas

Brittin, the TSA's air cargo programs manager.

To read the full article, please go to link: <http://www.joc.com/node/416052>

Government News

No Gas Tax Hike in 2010, Says House Leader

Source: The Journal of Commerce Online - News Story

Van Hollen says lack of political consensus kills increase supported by legislators, some carriers

Congress will not raise fuel taxes this year to fund transportation construction programs, said a Democratic leader in the House of Representatives.

Chris Van Hollen, D-Md., told Bloomberg Television a gas tax hike for highway projects "certainly won't fly this year, because we're going to have to have some kind of bipartisan consensus before you more forward on any kind of funding mechanism like that."

To read the full article, please go to link: <http://www.joc.com/node/416039>

Trade Groups Press For Export Controls Change

Source: The Journal of Commerce Online - News Story

Coalition confident in president's desire for export control reform

Leaders of a coalition for export control reform are confident that recommendations they made to the White House may result in a system that protects national security without impeding exports of U.S. goods.

The Coalition for Security and Competitiveness, composed of 17 manufacturing and trade groups, on Jan. 12 presented a list of recommendations to the White House for changes in an export control system that has changed little since it was established in the 1950s. They expect a favorable response because the Obama administration strongly favors changing the system.

To read the full article, please go to link: <http://www.joc.com/node/415937>

Ocean News

Trans-Pacific Carriers See 90 Percent Vessel Use

Source: The Journal of Commerce Online - News Story

Economic indicators, forward bookings suggest optimism for 2010

Cargo bookings by the individual lines in the Transpacific Stabilization Agreement suggest that vessel utilization levels in the trade will run in the mid-high 90 percent range in most trade segments in the coming months, with a typical dip for the Lunar New Year period in Asia when factories are closed, but picking up quickly after that.

The TSA said Thursday it is pressing ahead with efforts to boost freight rates as its 15 carriers expressed some optimism about 2010 volumes on the trans-Pacific, based on a combination of economic indicators and forward bookings during the off-season Lunar New Year period.

The TSA said its member carriers expect a significant year-on-year increase in 2010 traffic after a 2009 in which a final tally of cargo demand is likely to fall 15-20 percent below 2008 levels.

To read the full article, please go to link: <http://www.joc.com/node/415963>

Carriers Propose Vessel Emission Standards

Source: The Journal of Commerce Online - News Story

Tiered system of fees would enforce vessel efficiency

The World Shipping Council and its 29 carrier members proposed to the International Maritime Organization and its member governments a new global Vessel Efficiency System to improve the carbon and fuel efficiency of the world's fleet and reduce greenhouse gas emissions.

The WSC said Wednesday it proposed that the IMO apply vessel efficiency design standards

for both new and existing vessels in the world's fleet.

"We're trying to move the entire industry down the path to being more proactive in meeting its environmental needs," WSC Chairman Ron Widdows, who is CEO of Neptune Orient Lines, told The Journal of Commerce.

Newly built vessels would be subject to mandatory efficiency standards requiring that they be built with features and technologies that further improve the energy efficiency of the vessels to reach defined levels.

To read the full article, please go to link: <http://www.joc.com/node/416130>

Incoterms Update: Revision No. 8

Source: The Journal of Commerce Online - News Story

The eighth revision of the Incoterms, the International Chamber of Commerce shipment and delivery terms, is well under way.

After several alternative titles were considered, the new version was officially named Incoterms 2010 as it is scheduled for release late this year. Unlike previous versions, plans are that Incoterms 2010 will come into force on Jan. 1, 2011.

Since Incoterms are not law, and follow trade practice rather than attempting to establish it, the ICC can revise them whenever it determines change is required. This was decided in November 2007, and the revision process began shortly thereafter. It has accelerated to address a huge number of suggestions from the 130-plus ICC affiliates worldwide.

The next meetings are scheduled for London this month, Prague in March, and Paris in early May, when a final draft is scheduled to be submitted for approval.

Neither the release date nor the anticipated effective date is set in stone at this time.

To read the full article, please go to link: <http://www.joc.com/node/416038>



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Imprint

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