

MayNews

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Editorial

Dear Readers,

Welcome to this issue of our May News! This issue features Contract Logistics expansion news, announcement of new agreement, information on cargo screening and a new study showing double digit growth in cold chain services for Life Sciences.

In addition you will find an Importer Security Filing (10+2) Update and details on the Peak Season Surcharge effective June 14th.

Please enjoy reading this issue.

DB Schenker

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DB Schenker Expands Contract Logistics

By Richard Armstrong, Armstrong & Associates, Inc.

Taking exception to the current economic turmoil, DB Schenker Contract Logistics/SCM is hiring and expanding. Dr. Detlef Trefzger, member of the board of management for Contract Logistics/SCM of DB Schenker Logistics, has kicked off DB Schenker's "Go-for-Growth" program announcing that the company will hire 200 new top staff members as part of an expansion to nearly double revenues over the next few years.

In the Americas, the effort will be led by David Bouchard, chief operating officer of DB Schenker Logistics for the region. Bouchard, a highly respected industry exec, previously spent several years at Ryder. He has extensive experience in Latin America, especially in Mexico and Brazil.

DB Schenker's Canadian operations have been strong for a decade.¹ In 2004, Schenker purchased North Carolina based CCW and began expanding contract logistics in the U.S. This expansion has proceeded quietly but strongly. Schenker Logistics now has 12 million square feet of warehouse space and 3,500 employees in Canada and the U.S.

There are 32 locations in the U.S. Twenty-five are single client dedicated facilities; seven are multi-client. Key multi-client operations are in Los Angeles, San Francisco, Dallas, Indianapolis, Miami, and Greensboro. In Canada, operations are consolidated around Toronto and Vancouver.

DB Schenker's North American business is currently dominated by Consumer and Electronics accounts which constitute nearly two-thirds of revenue. The other third is spread over Automotive, Industrial and Supply Chain Services such as LLP (lead logistics provider) services. This profile contrasts with the overall German based operations where Automotive and Chemicals are major verticals along with Electronics.

[Read article>>](#)

Hawker Beechcraft Signs Agreement With DB Schenker For Parts Distribution in London, Dubai, and Singapore

■ WICHITA, Kan. (MAY, 2010) – Hawker Beechcraft Corporation’s (HBC’s) Global Customer Support (GCS) has signed an agreement with Schenker Logistics, Inc. to facilitate international parts distribution in London, Dubai and Singapore. HBC has identified and assigned inventories of the most widely ordered and preferred spare parts, valued at more than \$40 million, to be maintained at facilities in the three locations and express shipped to customers or service providers.

“This partnership is a major step towards our goal of setting the industry standard for Customer Support and Service,” said Christi Tannahill, vice president, Global Customer Support. “By teaming with DB Schenker we are able to offer our network of authorized service providers and our operator’s responsive delivery of critical parts, real-time tracking, and round-the-clock availability from a source that isn’t half a world away. We are leveraging DB Schenker’s world class infrastructure to strengthen our own,” she added.

Schenker Logistics, Inc. is part of DB Schenker, one of the world’s leading international providers of integrated logistics services with more than 2,000 worldwide locations. DB Schenker provides support to trade and industry in the global exchange of goods - in land operations, in worldwide air and ocean freight, and in all other associated logistics services. DB Schenker has about 90,000 employees in 130 countries. “We entered this exercise with the end-goal of being able to provide parts support to all areas of the world, and we are happy to have completed Phase I, with these 3 major distribution centers” said Rob Hood, General Manager, Inventory Logistics and Global Distribution. “This relationship also provides for a path to expand our parts and distribution facilities worldwide as our fleet continues to grow in all areas of the world” he added.



Cargo Screening Becomes Mandatory for One Hundred Percent of Freight Moving on Passenger Flights by August, 2010

■ As you know, on August 3, 2007, President Bush signed into law Implementing the 9/11 Commission Recommendations Act of 2007 legislation requiring the Secretary of Homeland Security to establish a system for industry to screen 100% of cargo transported on passenger aircraft at a level of security commensurate with the level of security of passenger checked baggage, within three years.

The impact of the Act is that all cargo uplifted in the US must be screened at the piece level by Transportation Security Administration (TSA) approved methods prior to being loaded onto a passenger aircraft.

DB Schenker has obtained the designation of Certified Cargo Screening Facilities (CCSFs) at our gateways in Atlanta, Chicago, Dallas, Los Angeles, Miami, Newark, and New York. After considerable work, facility upgrades, equipment acquisition, training of management and staff, and implementation of new procedures, certification was granted by the TSA.

CCSFs are legally empowered to screen cargo subject to rules imposed by the U.S. Transportation Security Administration (TSA.) Shipments screened at our CCSFs will require no further attention by the airlines.

Screening charges will be assessed on all shipments that move on passenger flights. Please remember that cargo screening becomes mandatory for one hundred percent of freight moving on passenger flights by August, 2010.

All shippers are required to consent to cargo screening. For instructions to give consent to DB Schenker to perform screening of your cargo, click here.

Click below for more information:

- DB Schenker Basic Cargo Screening FAQ.
- TSA information at www.dhs.gov.

CONFERENCE/EVENTS:

Temperature Sensitive Supply Chain

Date: June 28-29 2010

“A VIEW OF GLOBAL TRANSPORTATION SUPPLY CHAINS FUTURE ABILITY TO HANDLE BIO PHARMA FREIGHT,”

For more information, click here.



Supply Chain/Logistics - Biopharma/Life Sciences

New Study Sees Double-Digit Growth in Cold-Chain Services for Life Sciences

By: Nicholas Basta Date: 2010-04-30

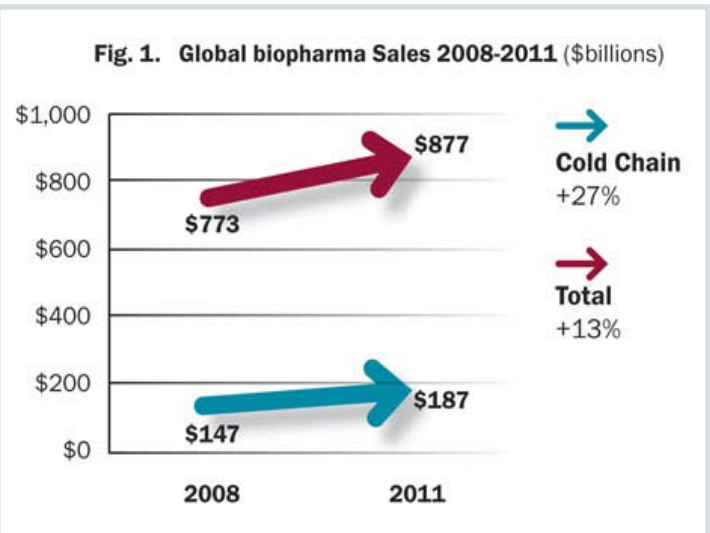
Faster-than-average growth of biologics, more global trade to emerging countries, and widening regulatory requirements will propel the activity

A specialized area of life sciences distribution is undergoing a boom right now: temperature-controlled shipping of pharmaceuticals, vaccines, blood products and clinical trial materials (CTMs). It is well known that national and international regulatory authorities are looking more closely at how temperature-controlled pharma shipments are being managed. And it is equally well known that there is a growing pipeline of commercial and near-commercial biotech products that will often require close control of temperature. One of the latest to be approved—Dendreon’s highly anticipated prostate cancer “vaccine”—stands out for requiring temperature control both as a patient’s blood is conveyed to Dendreon’s processing centers, and as the treated product is returned for infusion.

Looking at cold-chain biologics and pharmaceuticals alone, the dollar value of shipments was \$147 billion in 2008, and projected to rise to \$187 billion in 2011—a 27% growth rate, more than double that of overall biopharma growth (Fig. 1). These data come from a first-of-its-kind report, “Biopharma Cold Chain Sourcebook 2010,” published by Pharmaceutical Commerce. Blood plasma and sera has been projected (by Evaluate Pharma) as an \$18-billion global industry, rising by 8% per year to 2014, or roughly \$23 billion. Vaccines are projected to grow by an identical rate, from \$20.6 billion in 2008 to about \$26 billion in 2011. The CTM industry has been estimated at \$50 billion worldwide, the majority of which is biotech-based. Even if this stays flat through 2011, the total value of cold chain product shipments for life sciences will be nearly \$246 billion in 2011.

Evidence of this growth can be seen in the number of air carriers, third-party logistics firms (3PLs) and packaging and storage firms bulking up their cold-chain services. UPS, FedEx, DB Schenker, DHL and most other life-sciences 3PLs now have specified cold-chain services; air carriers with specified cold-chain services include American Air Cargo, Continental, Delta, Cathay Pacific, Air Canada and Emirates SkyCargo; cold-chain unit-load devices (ULDs) such as Envirotainer and CSafe, and a growing number of packaging and instrumentation companies have joined the fray.

“Biopharma Cold Chain Sourcebook 2010” surveys growth rates for pharma, biotech, vaccines, blood products and clinical materials, US and international regulatory bodies such as FDA, USP, PDA, IATA, MHRA and others, and air, ground and ocean carrier modes. It includes packaging materials and technologies, refrigeration systems and instrumentation.



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our web site: www.dbschenkerusa.com

Global, end-to-end cold chain solutions from a single source.

With the increasing issues, restraints and requirements healthcare companies face today, there is a greater need for their 3PL provider to have a proven track record in cold chain solutions. One that incorporates the kind of experience and expertise, facilities and equipment, supply chain visibility and technology capabilities you require. Today, a solutions provider with past experience has never been more necessary for your future success. www.dbschenker.com/specialservices/servicestohealthcare

 **Eco Program**
www.dbecoprogram.com

TP Eastbound Carriers set to impose PSS “Peak Season Surcharge” Early, Effective June 15th 2010.



■ Due to the continued roll over impact of supply and demand on space in the Transpacific Eastbound to North America the carriers fully intend to impose a Peak Season Surcharge on all current TP Eastbound rate levels.

Regrettably we must inform you that the carriers are notifying us now that this PSS will be introduced earlier than previously announced - Effective June 15th, 2010.

It appears that the space crunch which began with space madness into the Chinese New Year may continue through June despite the cessation of Winter schedules and the resumption of normal services as well in spite of the addition of some larger vessels with some increased capacity on the Transpacific trade lane as the carriers enjoy a “backlog” with the current booking surge in the trade.

This booking “surge” and backlog largely due to a buying spree by shippers that took place during the “positive” atmosphere of the 2nd Quarter of 2010, which is not stalling as these orders turn into actual shipments, irrespective of the final status of the economy in USA, which is at this time projected to be firm for the rest of the year.

Currently, every importer is impacted by the space difficulties although is more prevalent in some areas of high demand and the need to keep the supply chain moving in the short term; as such, carriers are also enjoying higher market levels which are also subject to variables such as BAF and now also PSS.

Originally announced in October 2009 by the TSA the \$400/40ft peak season surcharge (PSS), was to be

effective from August 1, 2010 to address higher cargo handling, equipment positioning and contingency planning costs during periods of peak cargo volume. However, increasingly we have been informed from the carriers that they will impose this surcharge now effective in June due to the continued booking conditions following Chinese New Year. We must therefore inform you of this development as soon as possible while the carriers continue to press for the necessity of higher revenues on the trade and the implementation of this surcharge to the rates.

Please note, while these notices are being received by us we will update and keep you informed of any further developments of this situation in case of fluctuation from the market ‘norm’.

PSS Quantum:

For all destinations in the USA

USD 320 - 20' container / 20' reefer

USD 400 - 40' container

USD 450 - 40' HC container / 40' HC reefer

USD 510 - 45' container

We appreciate your continuous support and understanding that the above is imposed by the SS lines at short notice, should you require more information on this development or impact to your business please do not hesitate to contact your Sales Executive.

Importer Security Filing (10+2) Update

These are some of the discussion points from the April 30th, 2010 COAC (Commercial Operations Advisory Committee of Customs and Border Protection) ISF Subcommittee Meeting:

ISF Graduated Enforcement 2nd Quarter Status

- CBP is preparing for the second stage of graduated enforcement. Overall they are pleased with the compliance to date.
- A few warning letters have been sent including some to C-TPAT members.
- Some ports began issuing Non-Intrusive Inspection holds (NII) on cargo that did not have an ISF on file.
- CBP will target the 10-15% of Importers who are not filing ISFs.
- Issues with filings (ISF5) for FROB (Freight Remaining Onboard).

CBP Outreach for Small to Medium Sized Importers

During the recent Outreach webinars John Jurgutis, CBP Branch Chief Vessel Manifest and ISF Office of Field Operations, made reference to some planned developments:

- The development of a web portal for ISF filings for importers that may be available in about 4 months. This will be limited to filers with no more than 12 filings per year and is designed for small companies who are doing informal entries, for example on a walk-in basis. Pre registration with CBP will be required.
- Coded Transaction Type 11 - modeled on an informal entry and for goods under \$200 the filer can file an ISF without a bond (no timeline available).
- Coded Transaction Type 13 – for a late ISF where an importer admits to failing to file an ISF on time. CBP will not require the filer to have a bond but this will have consequences for the filer (future NII holds possible). This coded transaction is probably a year away.



ISF Benefits

The following suggested benefits came out of the last COAC call:

- For C-TPAT members:
 1. Consideration to moving status to the next Tier level.
 2. For stratified compliance exams (where multiple shipments are under one bill of lading), allow the containers not being examined to be released by CBP.
- For SME importers that are highly compliant, consider a streamlined process for application to the C-TPAT program.
- For highly compliant importers consider mitigation for other penalties (outside of those associated with ISF compliance).
- For highly compliant importers, who have a problem situation, a request for CBP to take this into consideration.

CBP commented that if an Importer's IOR number is on file with C-TPAT, that Importer is getting a significant targeting credit. That is one of the main benefits of C-TPAT with ISF. CBP will also provide additional progress reports for Tier 2/3 C-TPAT participants.

Importer Security Filing (10+2) Update (cont.)

Progress Report Recommendations

- A draft document with recommendations will be finalized at the May 11th meeting.

Additional recommendations include that the progress report should be provided to the importer since they are liable so the importer would not have to rely on obtaining the report from the filer. Currently CBP distribute the reports to the filer and C-TPAT 2/3 members. CBP commented that it would be difficult to do this using the current distribution method. If the portal is completed in the next 3-4 months, they would build functionality into the portal so C-TPAT Tier 2/3 members would be given the first opportunity to obtain the reports directly from the ISF portal.

Next Subcommittee Meeting

7 May, 2010.

FAQ

Q: Does the importer know that the NII hold is for a missing ISF?

A: CBP have been instructing the field to enter “No ISF” in the public remarks section. This is a manual process because they have not been able to recode their system yet. The Carrier will know the reason for the hold. There is a \$175 charge associated with a NII hold.

Q: For consolidated containers is the NII hold at the container or shipment level ?

A: At the container level and exams are done at the sea ports.

Q: Is CBP working with the World Shipping Council (WSC) on the FROB issues?

A: Yes. Some Carriers are not sending container status messages. CBP are discussing their system issues regarding FROB regular bills versus house bills.

Q: What is the latest on the bill of lading matches?

A: Improving but still an issue. CBP has approved coding ABI changes and these will return back the type of bill and if an ISF has been filed against that bill, the method of transportation, and if you query a master-bill you will get back the master and all house bill numbers associated with the master bill. The Office of Information and Technology (OIT) is looking at also being able to provide the master bill when you query the house bill.

Q: Would users of the portal require continuous or single bonds?

A: The idea now is that they would require a single transaction bond.

Industry News

Rising Consumer Spending Faces Slowdown

Source: The Journal of Commerce Online - News Story

Economists question staying power amid unemployment, reduced credit

Economists are questioning how long U.S. consumers can maintain their current spending pace in the face of high unemployment, stagnant housing prices and reduced access to credit.

After dipping last year, consumer spending is rising by more than 3.5 percent, its fastest rate in three years, but it faces “plenty of headwinds” and can’t continue indefinitely, said Nigel Gault, chief U.S. economist at IHS Global Insight, during a webcast that his firm hosted.

“The question to us is: How far can we sustain consumer spending just on pent-up demand?” he said.

Gault said consumer spending, which represents 70 percent of U.S. GDP and is a key driver of containerized import volume, is likely to stabilize at an annualized growth rate of about 2 percent or slightly above during the next two years, roughly in line with growth in disposable income.

To read the article, please go to link: <http://joc.com/logistics-economy/rising-consumer-spending-faces-slowdown>

NAFTA Trade Soars Record 24.1 Percent

Source: The Journal of Commerce Online - News Story

February total compares with one of slowest months in recession

Surface trade with Canada and Mexico rose for the third consecutive month in February, surging a record 24.1 percent compared with the previous February, one of the slowest months of the recession.

Trade using surface transportation between the United States and its North American Free Trade Agreement totaled \$59.5 billion in value, according to the Bureau of Transportation Statistics of the U.S. Department of Transportation.

The 24.1 percent increase is the largest year-over-year rise on record, but freight value still remained 14.3 percent less than the value two years ago in February 2008, BTS said.

To read the full article, please go to link: <http://joc.com/logistics-economy/nafta-trade-soars-record-241-percent>

Airlines Blast Airspace Closure

Source: The Journal of Commerce Online - News Story

Europe’s handling of volcanic ash crisis ‘not working,’ says IATA

European governments and air navigation service providers must develop more precise procedures to identify ash contaminated air space and allow more flights, said the International Air Transport Association after more than 1,000 flights were canceled May 17 due to further volcanic eruptions in Iceland.

“This problem is not going away any time soon. The current European-wide system to decide on airspace closures is not working,” said Giovanni Bisignani, IATA’s director general and CEO. “We welcome the operational refinements made by the Volcanic Ash Advisory Centre in their theoretical model but we are still basically relying on one-dimensional information to make decisions on a four-dimensional problem. The result is the unnecessary closure of airspace. Safety is always our number one priority. But we must make decisions based on facts, not on uncorroborated theoretical models.”

To read the article, please go to link: <http://joc.com/air-expedited/airlines-rail-against-airspace-closure>

Forwarders Seek Security Funding

Source: The Journal of Commerce Online - News Story

Shippers, carriers join to petition TSA for federal cargo screening at U.S. airports

The Air Cargo Security Alliance, a coalition of 300 U.S.-based indirect air carriers, direct shippers and customs brokers, formally petitioned Janet Napolitano, head of the U.S. Department of Homeland Security, to implement a federal cargo screening program paid for by a five-cent per pound fee on all shipments.

Citing Section 1602 of the 9/11 Act, ACSA says the Transportation Security Administration is required to provide a level of security „commensurate with the level of security for the screening of passenger checked baggage.”

According to Michael Whately of ACSA, the TSA’s Certified Cargo Screening Program will “force most small to mid-size forwarders and indirect air carriers (IAC) to face insurmountable costs and logistical hurdles before they could even enter the market-place. This will result in reduced competition and just-in-time shipping options for businesses will be severely limited. For many, the 100 percent screening mandate without a federal screening program operating at all American airports makes economic viability impossible.”

To read the full article, please go to link: <http://joc.com/air-expedited/air-cargo-security-alliance-seeks-screening>

Government News

FMC Sets Speakers for NVO Public Meeting

Source: The Journal of Commerce Online - News Story

Comments to address proposal to exempt NVOs from tariff-filing requirements

A balance of supporters and opponents of a proposed rule that could change the way non-vessel operating common carriers do business will have their say before the Federal Maritime Commission on May 24.

The commission will hear oral comments on May 24 on a proposal that would exempt NVOs from the tariff-filing requirements of the Shipping Act.

The commission has scheduled eight speakers. Among them is Edward Greenberg, transportation counsel for the National Customs Brokers and Forwarders Association of America. NCBFAA petitioned for NVO exemption in 2008.

Other speakers include officials from two NVOs, Paulette Kolba, vice president ocean compliance for Panalpina, and Robert J. Schott, president of Seaschott; and Robert A. Voltmann, president of the Transportation Intermediaries Association.

To read the article, please go to link: <http://joc.com/government-regulation/fmc-sets-speakers-nvo-public-meeting>

Ocean News

Seattle Box Imports Soar 70 Percent

Source: The Journal of Commerce Online - News Story

International volume jumps 63.8 percent in port's best month since 2008

The Port of Seattle's import container traffic soared 70 percent in April over the same month a year ago, helping push overall volume at the port to its highest levels since 2008.

Containerized exports also grew sharply, expanding 55.6 percent, extending a recovery that has brought shipping at the Pacific Northwest port back close to volumes before the global trade downturn.

The 109,020 20-foot equivalents the port counted in April were 63.8 percent better than the same month last year and almost 10 percent better than Seattle reported in March.

Total volume at Seattle, including relatively flat domestic traffic and a big jump in empty containers, grew to 166,869 TEUs, the highest number the port has reported since 2008.

Although empty containers usually don't figure into trade statistics, shippers may be cheered by the 20,208 outbound empties at Seattle in April. Seattle's outbound empties have nearly quadrupled since January amid strong demand for boxes in Asia, where some shippers are reporting spot shortages.

To read the full article, please go to link: <http://joc.com/maritime/seattle-box-imports-soar-70-percent>

Shipping Could Face Greatest Spill Impact

Source: The Journal of Commerce Online - News Story

Stopping oil flow soon could avoid large effect on U.S. commerce

The biggest short-term economic impact from the Gulf Coast oil spill would be if it disrupts shipping, said IHS Global Insight.

The economics firm said the impact on overall U.S. commerce will probably be small if responders can contain the spill quickly although "the impact on some local industries could be large."

One of those regional industries, shipping, could affect broader transportation flows. "The biggest near-term risk from the oil spill is the potential for the disruption of shipping traffic in and out of the Port of New Orleans," the group said.

"This could affect the barge, container and tanker traffic in the Mississippi Delta and on the Mississippi River. If traffic is affected for any extended period of time, then the prices of all types of commodities could rise, albeit probably temporarily."

Reports say a full shutdown of shipping lanes is unlikely, but significant delays could develop if cargo ships must have oil washed off their hulls before moving upriver.

IHS Global Insight did not specify some of the ripple effects on freight networks, but disruptions at New Orleans could divert some cargoes such as export grain to other destinations.

For instance, it could push more Midwest farm shipments off barges and onto trains headed for West Coast ports, or onto ocean ships at Great Lakes ports that move into the Atlantic Ocean through the St. Lawrence Seaway. However, higher transportation costs of using alternative shipping lanes and ports could also price the loads out of the world market, delaying shipments until conditions improve.

To read the full article, please go to link: <http://joc.com/maritime/shipping-could-face-greatest-spill-impact>

Asia-Europe Container Volume Surges 20 Percent

Source: The Journal of Commerce Online - News Story

Rebound started in fourth quarter, improved through first quarter

Container shipments from Asia to Europe surged 20 percent in the first quarter from a year ago as the rebound in traffic that started in the final three months of 2009 continued into 2010, according to latest industry figures.

First quarter shipments rose 3.2 percent from the previous three-month period, according to the European Liner Affairs Association. Growth slowed to 10.5 percent in March after a 53.5 percent surge in February that reflected the

steep slump in traffic in the opening weeks of 2009.

Carriers transported 3.1 million 20-foot equivalent units from Asia to Europe in the first quarter, compared with 2.59 million TEUs in the same period in 2009, the Brussels-based industry group said.

To read the full article, please go to link: <http://joc.com/maritime/shipping-could-face-greatest-spill-impact>

Imprint

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