



## After the Disaster –Japan Update

May 2011

### Japan to Launch Ship Radiation Checks

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Japan began conducting radiation checks on ships and containers leaving three main international ports in and near Tokyo on April 28. The inspections at the ports of Tokyo, Yokohama and Kawasaki, which account for about 40 percent of foreign trade containers, will measure radiation levels in accordance with ministry guidelines, and the ministry will issue certificates of safety.

The Fukushima No.1 nuclear power plant in Fukushima Prefecture, about 140 miles northeast of Tokyo, was ravaged by the devastating earthquake and tsunami that hit the northeastern part of the country on March 11. The nuclear plant has suffered fires and explosions, leaking radiation. People living within a 12-mile radius of the 40-year-old plant have been evacuated. The government designated the evacuation zone as an off-limits area and recently expanded it to a 30-mile radius.

The radiation checks are in response to "concerns voiced abroad about the safety of containers and ships that depart Japan," the ministry said in a recent statement, noting foreign port authorities have conducted or toughened radiation checks on containers and ships arriving from Japan and that some foreign shipping firms have avoided making calls at the three ports.

Speaking at a press conference on April 22, Land, Infrastructure, Transport and Tourism Minister Akihiro Ohata said his ministry will guarantee the safety of containers shipped from Japan. "We want to ensure overseas confidence in containers and ships departing Japan by fully implementing the new measures," he said.

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## Japan's Exports Suffer From Tsunami

**The March 11 earthquake and tsunami that hit northeastern Japan disrupted trade as much as they ravaged the countryside.**

Japan's exports to the rest of the world fell 2.2 percent to \$70.67 billion in March in the first year-over-year decline in 16 months, according to preliminary figures released by the Finance Ministry on Wednesday.

Exports were rising before the earthquake and tsunami, the Finance Ministry said. But the twin natural disasters forced many factories in a wide range of industries to stop production due to a shortage of parts and power outages. They also directly affected many parts makers' plants, causing disruptions to supply chains. And they triggered the ongoing nuclear crisis at the Fukushima No.1 nuclear power plant.

Japan's overall exports rose 14.8 percent between March 1 and March 10 -- the day before the earthquake. But they tumbled 5.9 percent between March 11 and March 20 and the year-on-year pace of decline accelerated to 13.1 percent between March 21 and March 31.



## Global Air Recovery Continues In March



The International Air Transport Association (IATA) reports for March 2011 show a 3.7% rate of growth in freight markets. This is on top of the 1.8% growth in February.

IATA records also show 10% annualized growth in world trade during Q-3 and Q-4 of 2010. Following that period of growth, February 2011 recorded a comparatively weak growth rate of 1.8% over February of 2010. Market growth in March returned to a more robust 3.7% year-on-year increase, although overall growth was certainly impacted by the disaster in Japan.

March air freight demand among the Asia-Pacific carriers which represent 43% global freight share, experienced 0.6% decline this year compared to March 2010. Although March recorded a decline it was still an improvement over February's 5.4% decline which was expectedly depressed due to plant closures during Chinese New Year. IATA believes that the March rebound would have been far stronger were it not for the earthquake and tsunami in Japan.

When compared to air cargo traffic on March 2010, European and North American carriers increased 6.1% and 7.1% respectively. When compared to February 2011, European carrier volume increased 1.8%, and North American carrier volume was essentially flat at 0.2%.

As seen in recent months, Middle East and Latin American carriers reported significant increases in air cargo volume. Middle East carriers recorded a 10.1% growth rate, while Latin American carriers recorded 10.4% against the same period in 2010.

While the price of oil is the major negative factor affecting the air cargo industry, the global air cargo market continues to show positive growth, despite prices in the range of \$120 per barrel. However, the concern remains on the potential impact on global markets should barrel prices continue to climb.

# Avoiding Trouble During a C-TPAT Validation

**Members of the Customs-Trade Partnership Against Terrorism beware: Validation or revalidation requirements have changed significantly since you were initially or last certified in the voluntary program.**



Many companies who thought they were prepared for that initial or most recent validation are surprised to be receiving "Actions Required / Recommendations" notices from Customs. Some have even been suspended from the program because they weren't able to demonstrate to their U.S. Customs Supply Chain Security Specialist (SCSS), that their company is meeting minimum security requirements.

C-TPAT members might ask, "What are all these written procedures? How do we monitor the supply chain business partner's Status Verification Interface number (or SVI, the number Customs issues a company when it becomes a C-TPAT member)? What is an internal/external audit, a threat awareness program, the five-step risk assessment or annual security profile review? These questions and requirements were not posed during my last visit."

The problem for many C-TPAT members is linked to the 2008-09 recession. Members of a company's original C-TPAT validation team now may hold multiple positions or are no longer employed at the company. The diminution in manpower directly impacts a company's ability to maintain the C-TPAT program since initial certification or a validation/revalidation visit by the SCSS.

The C-TPAT member's objective is to score as close to 100 percent as possible during the validation visit. Any "Recommendations and/or Actions Required" notices the C-TPAT member receives as a result of the validation/revalidation phase will become the starting point by the SCSS at the next validation.

Customs, through the SAFE Port Act, mandates that a C-TPAT participant undergo a validation by an SCSS within one year of becoming C-TPAT-certified. That validation will consist of the SCSS visiting the company's domestic office and warehouse (importer's or third-party warehouse) and one foreign shipper, where cargo is manufactured or distributed, and a consolidation facility, if required. The foreign trucking company will be visited directly or be required to be present at the foreign shipper or foreign consolidator meeting.

The validated C-TPAT member will undergo a revalidation visit within three years of the last validation or sooner based on cause or incident. The SCSS will contact the C-TPAT member and advise of the various possible methods of revalidation: Visit the domestic facility and/or, another company facility, conduct a conference call or send out a questionnaire to determine if the company is meeting the minimum security requirements. For the foreign segment, the SCSS will visit a foreign shipper and consolidator, if required, plus the respective trucker.

It's important that the foreign shipper, consolidator and trucker be prepared for the C-TPAT validation/revalidation visit. If the above parties aren't able to demonstrate to the C-TPAT member's SCSS that they are meeting the minimum security requirements, the C-TPAT member may be suspended from the program, even if it demonstrated compliance on the domestic side.

## Preparation Tips

- Create a supply chain flow chart to determine your company's exposure to risk, starting with the shipper (foreign) and ending with the importer of record and the domestic consignee, regardless of who is responsible for contracting the business supply chain partner.
- Review your security profile to ensure it's compliant with Customs' current requirements.
- Review, update and create written procedures to implement correct requirements within your company.
- Verify the security survey questionnaires have been sent and completed by the supply chain business partner and, in particular, by the companies that will be reviewed/audited by the SCSS during the validation phase.
- Review the security survey questionnaires to ascertain if the supply chain business partner is meeting the minimum security requirements and if the written procedures exist and are being implemented. If not, communicate with your partner and develop written procedures.

## KWE FYI

**KWE FYI** is a section within our Industry Update featuring items and trends of interest relevant to transportation and logistics, global trade and future developments that may have impact in these areas



### Port of LA Plans \$3 Billion Expansion

*Ten-year vision for improved channel, terminals, on-dock rail, streets, bridges*



In the coming decade, The Port of Los Angeles will spend more than \$3 billion to deepen its access channel, expand marine terminals, add on-dock rail capacity and improve traffic flow through street and bridge improvements in the harbor area.

The capital improvement program is needed to accommodate the projected significant increase in cargo volume, better handle the container ships of 8,000 to 10,000 20-foot equivalent units capacity that are becoming increasingly numerous in the harbor and reduce pollution from port operations, said Michael Christensen, deputy executive director of development.

Expansion projects at existing facilities are expected to add about 200 acres and currently in various stages of development. The port recently celebrated a second phase expansion project of the China Shipping terminal that added a second vessel berth. Further expansion will result in another wharf extension and backland expansion nearly doubling the size of the facility to 142 acres.

Los Angeles is close to completing a wharf extension at the TraPac terminal to allow for berthing of two vessels simultaneously - additional expansion will add an on-dock rail yard and a larger gate complex. The port will increase the APL Ltd. terminal by 40 acres, a project that should move rather quickly. The port also plans to reconfigure wharf and backland areas at the Yang Ming and Yusen terminals and to replace the wharf and deepen the berthing area at the Evergreen terminal.

Pier 500 is a long-term project that still requires environmental clearances and design work. The site is now being used as a dredge disposal site. Obtaining the permits and constructing the approximately 200-acre container terminal could take as long as 10 years.

The port is well along on a project to deepen its main access channel to 53 feet, a \$222 million project that should be completed in 2012.

Los Angeles is also involved one way or another in several important rail projects. The port intends to build a rail yard at Berth 200 to serve as the home for Pacific Harbor Line, which performs switching work for the Class 1 railroads, and to provide additional support tracks for on-dock rail operations. Additional support tracks are a pressing need in the Los Angeles-Long Beach port complex.

Union Pacific Railroad intends to expand its near-dock Intermodal Container Transfer Facility less than five miles from the harbor and BNSF Railway wants to build its own near-dock Southern California International Gateway nearby. Environmental documents should come out this summer. Although the near-dock yards are being privately funded, they are important to the growth and efficiency of operations at both of the ports.

Los Angeles also intends to rework the port master plan that has guided development for a number of years. Included in the study would be ways to reuse and reconfigure the Terminal Island property in the harbor in order to promote better land use for marine terminal and rail operations.

## Carrier News

### COSCO, Hanjin Add Prince Rupert Services



Canada's West Coast port of Prince Rupert will add two new weekly trans-Pacific services in May, one by China Ocean Shipping Co. (COSCO) and the other by Hanjin Shipping. That will bring to four the number of weekly calls at Canada's newest container port.

COSCO is adding Prince Rupert to its South China Express service as the last North American port call outbound before the vessels return to Asia.

Hanjin is adding Prince Rupert to its Pacific Northwest Express service and it will be the first call inbound from Busan, South Korea. The vessels will arrive on Saturdays and will then call in Seattle, Portland and Vancouver, B.C., before returning to Busan.

This will be the first service at Prince Rupert involving Hanjin vessels, said port spokesman Maynard Angus. Hanjin has been a partner with COSCO in the existing services, but does not contribute vessels.

### Major Ocean Carriers to Boost India-US Prices

Major ocean carriers plan to raise rates on India-U.S. trade lanes as demand picks up. Effective June 15, China Ocean Shipping Co. will apply a peak-season surcharge for all cargo shipped from India to the United States and Canada. The surcharges will be \$320 per 20-foot, \$400 per 40-foot, \$450 per 40-foot high cube and \$506 per 45-foot container.

Maersk Line, the largest carrier to and from India, will also impose a similar surcharge on the route, starting July 1 until further notice. The planned surcharges will be \$340 per 20-foot, \$425 per 40-foot, \$480 per 40-foot high cube, and \$540 per 45-foot container. The Danish carrier said the surcharges will apply on all cargo including reefer destined for ports in the United States, Canada and Guam. Safmarine, a subsidiary of Maersk Line, also issued a trade notice, announcing similar surcharges.

### The Long Awaited Air China Cargo is Finally Launched

The joint-venture between Air China and the Cathay Pacific group was announced over a year ago, with operations slated to begin in the summer of 2010, but gaining regulatory clearance from the various authorities in China took longer than anticipated and all necessary approvals from relevant authorities have just recently been secured.



Using Shanghai as its base – to capture business in the Yangtze River Delta region, which accounts for two-thirds of China's air cargo traffic – Cathay and Air China have pledged to turn ACC into an internationally competitive air cargo specialist.

By next year, ACC will be operating with a fleet of 12 B747-400 freighters on routes out of China. Cathay has committed to providing four, one already supplied and three more to be delivered later this year and early next. Air China's eight aircraft are already available to the new carrier.

ACC has launched its first service, operating Dalian-Shanghai-Frankfurt every Thursday, Friday and Saturday. The service enables shippers in the Dalian area to avoid having to move cargo to Beijing or Korea to access suitable wide-bodied capacity.

China's continued economic growth has helped turn the country into one of the world's fastest-growing air cargo markets. Faster fleet development has been enabled through the joint-venture, helping ACC to achieve economies of scale and consolidate its market position. In addition, the cargo belly space provided through Air China's extensive domestic and international passenger network will also provide strong impetus to ACC's global business development.

## Update: Bunker Adjustment Factor (BAF) and Inland Fuel Charge (IFC)

WESTBOUND (from USA to Asian destinations)				
	April 01 through June 30, 2011			
	20' dry	40'-45' dry	20' reefer	other reefer
<b>BAF – West Coast</b>	508	635	715	894
<b>BAF – East Coast</b>	971	1214	1292	1615
<b>IFC – Pure truck</b>	85	85	85	85
<b>IFC – Truck/Rail</b>	295	295	295	295
EASTBOUND (from Asian origins to USA)				
	April 01 through June 30, 2011			
	per 20'	per 40'	per 40HQ	per 45'
<b>BAF – West Coast</b>	374	468	527	592
<b>BAF – East Coast</b>	703	879	989	1112
<b>IFC-Truck</b>	85	85	85	85
<b>IFC-RIPI</b>	148	148	148	148
<b>IFC-IPI</b>	295	295	295	295

## May Holiday Schedule

17 30	Vesak Day - Singapore Memorial Day – USA	All offices closed All offices closed
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