

# OCEAN

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## Ocean Fast Facts

**Which Southeastern U.S. seaport handled 1.37 million TEUS during the fiscal year 2009 and boasts the deepest harbor in the Southeast U.S.?**

- A. Wilmington, NC
- B. Savannah, GA
- C. Charleston, SC
- D. Jacksonville, FL

[Click here to see the answer!](#)

**Correct Answer: C. Charleston, SC**

Despite a decline in global shipping during the fiscal year of 2009, the Port of Charleston handled 1.37 million 20-foot equivalent container units. The port is operated by the South Carolina State Ports Authority (SCSPA), secured several new major business accounts and has recently extended a contract with shipping giant Mediterranean Shipping Company through 2017.

Sources: [www.port-of-charleston.com/spa/news\\_statistics/news/pressroom/pressroom.asp?PressRelease=245](http://www.port-of-charleston.com/spa/news_statistics/news/pressroom/pressroom.asp?PressRelease=245)



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## BUZZ WORD

### Through Bill of Lading

Definition: A through bill of lading is a shipping term in which a single bill of lading covering receipt of cargo at the point of origin for the delivery to the ultimate consignee, using two or more modes of transportation. Often used on ocean bills of lading.

### Through Bills of Lading ... and the Rotterdam Rules?

For years, limits of liability on ocean freight bills of lading have generally been governed by COGSA, or the Carriage of Goods by Sea Act, the Hague Rules, the Hague-Visby Rules and the Hamburg Rules. The Rotterdam Rules have replaced those mandates with the objective of achieving uniformity of law in the field of maritime carriage. For example, COGSA rules essentially set ocean freight liability limitations at \$500 per package for carriage of goods by sea.

By September 23, 16 countries had ratified the Rotterdam Rules, a new UN convention describing the rights and obligations involved in the maritime carriage of goods.

The Rotterdam Rules are intended to modernize and simplify the process a shipper or insurer must go through to recover damages for cargo lost or damaged at sea. Most importantly, the rules more clearly recognize intermodal door-to-door transport, outside of the traditional ocean freight portions of the supply chain. Essentially, the new ruling will cover goods in transit by rail or truck on land legs of an ocean voyage.

If they are ratified by the U.S. Senate, the Rotterdam Rules will replace the 1936 Carriage of Goods by Sea Act. The Rotterdam Rules, which bring more clarity regarding the responsibility and liability of all parties involved in maritime carriage, will officially come into force one year after 20 countries have ratified it. The U.S., Greece, Norway and the Netherlands, all major trading and maritime nations, signed the convention, along with Congo, Denmark, France, Gabon, Ghana, Guinea, Nigeria, Poland, Senegal, Spain, Switzerland and Togo. Together, the signatories account for approximately one-third of world trade.

Source: [http://news.xinhuanet.com/english/2009-09/24/content\\_12103694.htm](http://news.xinhuanet.com/english/2009-09/24/content_12103694.htm) and <http://www.joc.com/node/413570>

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## **Port Congestion in Venezuela Continues**

Due to the recent nationalization of Venezuelan ports on July 31, 2009, warehouses, ports and container yards have come under the authority of the Bolipuertos, or National Port Authority. Currently, the main ports in Venezuela such as Puerto Cabello, Maracaibo, Valencia and La Guaira continue to report congestion. As a result, several of the main ocean carriers servicing Venezuela have enacted congestion port surcharges. Please be aware of these surcharges and contact your AIT representative to verify the specific surcharge for your cargo.

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## **MSC moves to the PNCT terminal at the Port of New York / New Jersey**

Several AIT customers utilize services with Mediterranean Shipping Co. (MSC) to and from the port of New York/New Jersey. MSC announced they will transfer vessel calls at the Port of New York and New Jersey from Maher Terminals to the adjacent Port Newark Container Terminal (PNCT), effective Oct. 1. The terminal covers 180 acres and has an estimated annual capacity of 1 million 20-foot equivalent units. The move will make MSC the terminal's largest customer.

Source: <http://www.joc.com/node/413648>



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## **A Reminder on 10 + 2 Ocean Imports**

As earlier reported, the United States Customs and Border Protection 10+2 or ISF program will be enforced effective January 26, 2010. Submission of timely and correct ISF data is the ultimate responsibility of the importer of record.

AIT has been participating in official U.S. Customs and Border Patrol ISF seminars and educating customers and agents alike to ensure ISF data is managed properly. Should you have comments about the 10+2 required data elements, please contact your AIT representative. For a copy of current documentation relating to the ISF program, please refer to the following link:

[http://www.cbp.gov/xp/cgov/trade/cargo\\_security/carriers/security\\_filing/](http://www.cbp.gov/xp/cgov/trade/cargo_security/carriers/security_filing/)

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## **Express your freight - LCL Express!**

AIT recently announced the launching of a new LCL program from Shenzhen/Yantian/Hong Kong and Shanghai to the United States west coast, with additional destinations soon to follow.

The product, called *LCL Express*, offers industry leading LCL transit times on dedicated weekly Cosco vessels via Los Angeles through our vendor partner, COSCOEx. Transit times of 21 to 23 days are available.

Combining direct dedicated weekly boxes with expedited delivery services to door locations throughout the Continental United States, the service offers an economic alternative to air freight, or expedited LCL solutions at a small price premium.

AIT's *LCL Express* service was introduced to supplement AIT's successful FCL Ocean Express program. Ask your AIT representative for more details and service specifics!

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## Algeria - New Requirements!

Effective August 1, 2009 a new law went into effect in Algeria. Part of the law stipulates that all import cargo must be covered by a Letter of Credit issued by an Algerian bank. If a Letter of Credit is not in place, it will be almost impossible for consignees to customs clear, pick up or remove cargo from Algerian ports.

Both AIT and our agent must abide by Algerian law and cannot be responsible for any consequences that may incur due to non compliance. It is the responsibility of the shipper of record to ensure that shipments are covered by Letters of Credit.

As always, we try to keep you informed of the latest requirements in order to ensure smooth handling of your export cargo. Please contact your local AIT representative should you have any questions or concerns.

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## Reefer Consumption Surcharges

In addition to charging for "special equipment," such as refrigerated ocean containers, ocean lines such as CMA-CGM have implemented an additional surcharge for "reefer consumption." These charges relate to additional fuel and monitoring of the refrigerated cargo while in transit. The charge is relatively "new" to the industry; in the past, items such as fuel were broken out as a fuel/bunker line item or lumped into the base ocean rate of the reefer container.

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## October Congestion Alert!

At press time, certain port locations were reporting congestion. Port areas to be aware of during the month of October include:

- + Valencia, Spain (since mid-September)
- + Venezuela Ports (Puerto Cabello)
- + North African Ports (Tripoli / Algiers)
- + A short term overbook / backlog situation was reported in the 3rd Week of September for ports in China (Yantian / Shenzhen / Shanghai / Ningbo) and Hong Kong leading into Mid Autumn Festival on October 1.

Please be advised that ocean carriers may temporarily enact "Port Congestion Surcharges" in times of peak volumes.

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## October Export Update - Demand for U.S. Export Shipments Remains High

In late September, ocean carriers report that an ongoing demand exists for U.S. export containers at both port and inland container depots. This stems from the continued reduction in import capacity into the United States and the simultaneous high volume demand on lower capacity export trades. Trades remaining "tight" on equipment availability and vessel space, especially on U.S. exports to Brazil and North Europe.

AIT continues to recommend that exporters plan early for booking export shipments, allowing a minimum of 48 to 72 hours for standard equipment and additional time for special equipment such as open tops or flat racks. Planning early will ensure equipment is available and vessel space can be accommodated by container size and type to satisfy your booking needs. Less than container load (LCL) booking availability remains wide open.

AIT would like to remind our customers moving special equipment to allow for ample planning and booking time for special equipment, such as refrigerated and flat rack / open top equipment. Speak with your AIT representative to address your specific FCL, LCL or breakbulk shipment needs.

## 2009-2010 Trans Pacific Imports - October Update on GRI and PSS

As a follow up to earlier Trans Pacific Import reports as discussed in the September 2009 edition of the AIT eNewsletter, the August "GRI" has passed and has either been "rolled" into existing rates, bringing up the base rate or any new ocean rates are now being negotiated with a new "post August 10th" GRI level. Additionally, it appears that the Peak Season Surcharge (PSS) has been mitigated or reduced by the ocean lines as October 1st approached. In some cases, certain carriers have agreed to waive PSS on select services. The situation is ever-changing, so please speak with your AIT representative for updates.

On a separate, yet important note, the "Peak of Peak" came slightly early this shipping season due in part to the October 1st National Holiday and Mid Autumn Festivals in China. There was a "spike" in shipments resulting in limited vessel space on Chinese ports during the second half of September as exporters in Asia rushed to book space on the reduced Trans Pacific Inbound capacity. The market is adjusting to this reduced capacity as major carriers such as MSC, CMA and Maersk slashed available vessel space last month.

AIT also reported in the September 2009 edition of the AIT eNewsletter that several lines were reducing capacity, further highlighting that carriers are making solid efforts to fill their ships. As a result, the August 10th GRI held relatively firm as carriers continue to cite huge reported losses in 2008 and the earlier parts of 2009. Even though the capacity is expected to stabilize after the first week of October, AIT would like to advise their customers to book early, especially for multiple container bookings.



**The TSA member list of carriers includes the following carriers:** APL, Ltd., China Shipping Container Lines, CMA-CGM, COSCO Container Lines, Ltd., Evergreen Line, Hanjin Shipping Co., Ltd., Hapag Lloyd AG, Hyundai Merchant Marine Co., Ltd., Kawasaki Kisen Kaisha, Ltd. (K Line), Mediterranean Shipping Co., Nippon Yusen Kaisha (N.Y.K. Line), Orient Overseas Container Line, Inc., Yangming Marine Transport Corp. and Zim Integrated Shipping Services

Source: [http://www.tsacarriers.org/pr\\_070709.html](http://www.tsacarriers.org/pr_070709.html)

## The Parting "Wave"

September 2009 was quite an active month for the AIT Ocean Systems Team. In the flurry of the ever-changing market conditions, especially the "GRIs" in the global trade lanes, the AIT pricing team was especially active during the month handling a record amount of ocean rate requests. We thank those customers, existing and new, for providing AIT with the opportunity to quote on your prospective business.

Our operations team remained "on their toes" in this tight market, working with steamship lines to secure equipment and space on vessels. As the leaves began to fall, the index price of ocean rates in the global trades saw an overall increase. Carriers continue to see full vessels on reduced capacity and there was a short "spike" in peak cargo from Asia in the last week of September.

October should experience a slight reduction in spike shipping volumes and it is still yet to be determined if the PSS (Peak Season Surcharges) will remain in effect, as many have been mitigated at press time. We only have three months of shipping before 2010 approaches and we're optimistic that space and equipment will become more readily available as the year winds down. Thanks to all our customers for an active ocean month.

### **Preview October 2009 AIT Ocean eNewsletter:**

Giving thanks ... and recognition of a Northeastern U.S. seaport.

If you have any questions or comments regarding the Ocean eNewsletter, please contact [Kevin Krause](#) from the AIT Ocean Department.

## AIR

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## Freighter Aircraft and the "New Normal"

Dedicated freighter aircraft was a concerning subject reported in much of September's air cargo media. The news first revolved around comments from Lufthansa Cargo, which recently announced a 25% to 30% increase in rates and broached the subject of getting out of the freighter business due to falling profit and the inability to achieve market balance on roundtrip flights.

Then the International Air Transport Association (IATA) estimated that airlines have decommissioned (parked in the desert, as reported in previous editions of the AIT eNewsletter) 227 freighter aircraft during this recession. Paul Page, Editorial Director of the Journal of Commerce, shared in his editor's letter, "the private Ascend consulting firm put the figure closer to 480 aircraft, or nearly 25% of the existing freighter fleet."

On the heels of that news, Air France-KLM announced that it would get out of the freighter business over the next 2 years and turn over its entire freighter fleet to Martinair, a sister company. This would make Martinair one of the largest all cargo airlines in the business. This also makes it easier to add or discontinue flights as markets and demand shift.

Federal Reserve Chairman Ben Bernanke recently suggested that the recession has just about ended, or "probably ended in the United States." In the optimism of that assertion, signs have suddenly become clear indicating just how devastating these past 12 to 18 months have been for air carriers.

Some other headlines and news items:

- USA carrier American Airlines has warned cargo and airport staff to expect layoffs in tandem with November 7 schedule reductions
- Iberia lays off 100 executives
- Air France lays off 1,500 cargo employees
- International airlines lost around US\$1 billion a month for the first six months of the year (Jan-June 2009), according to the International Air Transport Association (IATA)
  - European and Asian airlines fared the worst, with 16 Asia-Pacific carriers losing US\$1.3 billion compared with losses of US\$958m a year earlier
- So far this year net losses for 50+ airline sample in excess of \$6 billion, excluding "mark to market" fuel hedging gains
- Jet fuel prices, pushed higher by crude oil, move above \$80 a barrel, intensifying airlines cash burn
- Passenger and freight volumes are now starting to improve, but on very fragile foundations so far
- 227 freighters taken out of service this year reducing capacity by 3%, but new deliveries sustain risk of excess capacity worsening (IATA Q3 Cargo e-Chart book)
- Air freight benefiting from shippers now requiring more timely transport - air freight price competitiveness falls against 39% decline in ocean freight rates (IATA Q3 Cargo e-Chart book)
- Los Angeles International Airport (LAX) has reported its smallest air freight tonnage drop in a year ... off 9.9% compared to July 2008



- Tony Tyler, Chief Executive Officer, Cathay Pacific, e-Cargo News Asia - September 08, 2009:
  - "The fact is that both our passenger and cargo business have been hammered at the same time, and that makes this a downturn like no other - and the worst thing of all is there is still no end in sight."
  - "This is a truly global downturn in the industry - unlike anything else we've seen in terms of impact. I've been in the business 30 years and seen many highs and lows, but the past year and a half is as bad as it's ever been."
  - "What if the changes we have seen recently - lower premium demand, lower yields for passenger and cargo business - are not just cyclical? What if these changes are actually structural and airlines have to become acclimatized to a 'new normal' where things need to be done differently than before"?

This phrase from Tony Tyler, "New Normal" is beginning to catch on. Again referring to Paul Page's editorial, which is titled, "New Normal" (JOC 09/21/2009), he wrote:

*With the Peak shipping season here and activity barely causing a ripple in global transportation networks, attention among shippers and carriers alike is already turning to next year and what the business community is terming the "new normal."*

What does all of this mean for the airline industry? Well, when we emerge from this tunnel, the world of air cargo will be dramatically different. There will be fewer airlines serving fewer cities carrying less cargo on smaller airplanes. A smaller supply of available capacity will exist and any incremental increase in demand will cause carriers to raise rates.

Increased demand is not the only cause of carriers such as Lufthansa, Air France-KLM, Cargolux, Delta and just about every airline handling Asia exports to raise rates in October.

It is simply that they have no other recourse; they have hit revenue-bottom.

Airlines have cut staff, parked airplanes, discontinued passenger "perks," charged for services which for decades were free (i.e., checked baggage), gone into bankruptcy and out again, and yet still they collectively cannot turn a profit.

This, more than anything, has lead Lufthansa Cargo and others to raise cargo rates; the decision in the board room has become either find a way to be profitable or get out of the business all together.

Shippers and forwarders need not spend too much time on the shoreline looking out to sea hoping ocean freight will help them. Steamship lines' GRI's and PSS charges have been implemented and they are sticking. Like the airlines, ocean carriers reacted to decreased demand and cut capacity - now that demand has slightly increased, so have container rates.

As we enter the fourth quarter of 2009 and see the proverbial light at the end of the tunnel, we must brace ourselves to face the reality of this "new normal" when we emerge on the other side.

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## [Air Cargo World Record](#)

September's featured airplane was the Antonov 225 and AN 124, the 225 being the largest all cargo jet to fly.

Last month, the AN-225 set a world record by carrying the single largest piece in air freight history, a transformer weighing 189.89 tons. The flight departed from Airport Frankfurt-Hahn to Armenia. The only suitable aircraft for this transport was the Antonoy AN-225.



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## [Air Cargo Screening - the countdown continues!](#)

As the final implementation of the government's mandate to screen one-hundred percent of all cargo boarded on passenger aircraft nears, several editorials warned shippers (including forwarders) not to wait until the last minute hoping that the US Government will change its mind. The word out of Washington DC is that there is no going back; the industry has met its 50% threshold and the government fully expects 100% compliance by the due date in 2010.

**[100% screening less than a year away](#)**

USA shippers optimistic the country's Transport Security Administration (TSA) would back away from its plan for 100 percent cargo screening on passenger aircraft by August 2010 have had their hopes dashed.

The TSA recently announced an Interim Final Rule (IFR) implementing the Certified Cargo Screening Program (CCSP) - the system TSA will use to fulfill the air cargo security requirements of the Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Act).

"We developed a common-sense solution that will greatly enhance air cargo security by using valuable data from pilot programs and engaging thousands of stakeholders," said TSA assistant administrator John Sammon.

"This program is a critical step toward meeting the mandate of the 9/11 Act in an efficient and effective manner that facilitates the flow of commerce."

Source: *Cargo News Asia*

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## The Price of Clean Energy

Carbon dioxide emissions from the U.S. and China are near parity, but the source of emissions differs widely. For example, 29% of the U.S.'s emissions come from transportation, while in China transportation accounts for only 8% of emissions. If both countries adopted aggressive programs to convert their transportation sectors to electrified vehicles - aiming for 45% electrified vehicles by 2030 - together they could reduce emissions by about 1.1 gigatons annually. But McKinsey estimates that such programs would require significant investment in new technology and production, amounting to \$28 billion in China and \$50 billion in the US.

Source: *China and the US: The Potential of a Clean-Tech Partnership*

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## British Airways Takes Responsibility

In November 2007, BA created a Corporate Responsibility department that organized a Corporate Responsibility program under four streams – Environment, Community, Marketplace and Workplace.

Highlights and achievements:

- 191 aircraft engines modified on BA's Boeing 747 and Boeing 777 aircraft to reduce NOx and improve fuel efficiency
- 120 community and conservation projects supported in 2008/09
- 35% recycled across Heathrow and Gatwick with amount to landfill reducing by 7.2 per cent

[Click here](#) to read the complete 2009 Corporate Responsibility Report

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## *Featured Airplane*

### C-130 Hercules

The Lockheed C-130 Hercules is a four-engine turboprop military transport aircraft built by Lockheed. Capable of takeoffs and landings from unprepared runways, the C-130 was originally designed as a troop, medical evacuation, and cargo transport aircraft. The versatile airframe has found uses in a variety of other roles, including as a gunship, for airborne assault, search and rescue, scientific research support, weather reconnaissance, aerial refueling, maritime patrol and aerial firefighting. It is the main tactical airlifter for many military forces worldwide. Over 40 models and variants of the Hercules serve with more than 50 nations.

During its years of service the Hercules family has participated in countless military, civilian and humanitarian aid operations. The family has the longest continuous production run of any military aircraft in history. In 2007 the C-130 became the fifth aircraft - after the English Electric Canberra, B-52 Stratofortress, Tupolev Tu-95, and KC-135 Stratotanker - to mark 50 years of continuous use with its original primary customer, in this case, the United States Air Force. The C-130 is also the only military aircraft to remain in continuous production for 50 years with its



original customer, as the updated C-130J Super Hercules.

## Design & Development

The Korean War, which began in June 1950, showed that World War II-era transports were inadequate for modern warfare. Thus on 2 February 1951, the United States Air Force issued a General Operating Requirement (GOR) for a new transport to Boeing, Douglas, Fairchild, Lockheed, Martin, Chase Aircraft, North American, Northrop, and Airlifts Inc.

Five companies tendered a total of ten designs: Lockheed two, Boeing one, Chase three, Douglas three, Airlifts Inc. one. The contest was a close affair between the lighter of the two Lockheed (preliminary project designation L-206) proposals and a four-turboprop Douglas design.

The Lockheed design team was led by Willis Hawkins, starting with a 130 page proposal for the Lockheed L-206, and another two-turboprop and heavier one. The company won the contract for the now-designated Model 82 on 2 July 1951.

The first flight of the YC-130 prototype was made on 23 August 1954 from the Lockheed plant in Burbank, California. The aircraft, serial number 53-3397, was the second prototype but the first of the two to fly. The YC-130 was piloted by Stanley Beltz and Roy Wimmer on its 61-minute flight to Edwards Air Force Base; Jack Real and Dick Stanton served as flight engineers.

## Production

After the two prototypes were completed, production began in Marietta, Georgia, where more than 2,300 C-130s have been built.

The initial production model, the C-130A, was powered by Allison T56-A-9 turboprops with three-blade propellers. Deliveries began in December 1956, continuing until the introduction of the C-130B model in 1959. Some A models were re-designated C-130D after being equipped with skis. The newer C-130B had ailerons with increased boost - 3,000 psi (21 MPa) versus 2,050 psi (14 MPa) - as well as updated engines and four-bladed propellers that were standard until the J-model's introduction.

## Operational history

The Hercules holds the record for the largest and heaviest aircraft to land on an aircraft carrier. In October and November 1963, a USMC KC-130F (BuNo 149798), bailed to the US Naval Air Test Center, made 29 touch-and-go landings, 21 unarrested full-stop landings and 21 unassisted take-offs on the USS Forrester at a number of different weights. The pilot, LT (later RADM) James Flatley III, USN, was awarded the Distinguished Flying Cross for his participation. The tests were highly successful, but the idea was considered too risky for routine "Carrier Onboard Delivery" (COD) operations. Instead, the C-2 Greyhound was developed as a dedicated COD aircraft. The Hercules used in the test, most recently in service with Marine Aerial Refueler Squadron 352 (VMGR-352) until 2005, is now part of the collection of the National Museum of Naval Aviation at NAS Pensacola, Florida.

The AC-130 also holds the record for the longest sustained flight by a C-130. From 22 October to 24 October 1997, two AC-130U gunships flew 36.0 hours nonstop from Hurlburt Field Florida to Taegu (Daegu) South Korea while being refueled 7 times by KC-135 tanker aircraft. This record flight shattered the previous record longest flight by over 10 hours while the 2 gunships took on 410,000 lb (190,000 kg) of fuel. The gunship has been used in every major U.S. combat operation since Vietnam, except for Operation Eldorado Canyon, the 1986 attack on Libya.

## Specifications (C-130H)

*Data from USAF C-130 Hercules fact sheet, International Directory of Military Aircraft, Complete Encyclopedia of World Aircraft, Encyclopedia of Modern Military Aircraft*

### General characteristics



C-130 Cockpit



Cargo is airdropped from a C-130 Hercules



AC-130H gunship jettisons flares

Crew:	5 (two pilots, navigator, flight engineer and loadmaster)
Capacity:	<ul style="list-style-type: none"> <li>• 92 passengers or</li> <li>• 64 airborne troops or</li> <li>• 74 litter patients with 2 medical personnel or</li> <li>• 6 pallets or</li> <li>• 2-3 HMMWVs or</li> <li>• 1 M113 armored personnel carrier</li> </ul>
Payload:	45,000 lb (20,000 kg)
Length:	97 ft 9 in (29.8 m)
Wingspan:	132 ft 7 in (40.4 m)
Height:	38 ft 3 in (11.6 m)
Wing area:	1,745 ft <sup>2</sup> (162.1 m <sup>2</sup> )
Empty weight:	75,800 lb (34,400 kg)
Useful load:	72,000 lb (33,000 kg)
Max takeoff weight:	155,000 lb (70,300 kg)
Powerplant:	4x Allison T56-A-15 turboprops, 4,590 shp (3,430 kW) each

### Performance

Maximum speed:	320 knots (366 mph, 592 km/h) at 20,000 ft (6,060 m)
Cruise speed:	292 kn (336 mph, 540 km/h)
Range:	2,050 nmi (2,360 mi, 3,800 km)
Service ceiling:	23,000 ft (7,000 m)
Rate of climb:	1,830 ft/min (9.3 m/s)
Takeoff distance:	3,586 ft (1,093 m) at 155,000 lb (70,300 kg) max gross weight; 1,400 ft (427 m) at 80,000 lb (36,300 kg) gross weight

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If you have any questions or comments regarding the Air eNewsletter, please contact [Joseph Hoban](#) from the AIT Air Department.

# COMPLIANCE

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## Enforcement Schedule for Lacey Act Declaration Is Revised

The U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) published a *Federal Register* Notice that changes the enforcement schedule for declaration requirements under the Lacey Act. As a result, enforcement will be postponed for numerous products slated for phase three enforcement, and the products listed for phase four enforcement have changed substantially.

Scheduled to begin on October 1, 2009, phase three enforcement will now cover only items classified in the following HTSUS headings: **4402** (wood charcoal), **4412** (plywood, veneered panels, except 4412.99.06 and 4412.99.57), **4414** (wooden frames), **4419** (tableware & kitchenware of wood), and **4420** (wood marquetry, caskets, and statuettes).

Scheduled to begin on April 1, 2010, phase four enforcement will cover only items classified in the following HTSUS headings: **4421** (other articles of wood), **6602** (walking sticks, whips, crops), **8201** (hand tools), **9201** (pianos), **9202** (other stringed instruments), **9302** (revolvers and pistols), **9305.10.20** (parts and accessories for revolvers and pistols), **9401.69** (seats with wood frames), **9504.20** (articles and accessories for billiards), and **9703** (sculptures).

The Federal Register Notice can be accessed by visiting the following link:

<http://edocket.access.gpo.gov/2009/pdf/E9-21216.pdf>

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## Customs publishes additional duties on Chinese tires

On September 11, 2009, the President signed Presidential Proclamation number 8414, which imposes additional duties for three years on certain imports of Chinese rubber, pneumatic tires of a kind used on motor cars and on-the-highway light trucks, vans, and sport utility vehicles. ( 74 FR 47861 Published September 17, 2009 )

These duties are imposed on Chinese tires under the "Chinese Safeguard" statute (commonly referred to by the statutory section "421" of the Trade Act) and are to be assessed on the tires described below that are entered or withdrawn from warehouse on or after September 26, 2009.

Specifically, the tires subject to this additional duty are Chinese origin new, pneumatic tires, of rubber, of a kind used on motor cars (except racing cars) and on-the-highway light trucks, vans, and sport utility vehicles and are, generally, to be mounted onto rims. These tires are classified in subheadings 4011.10.10, 4011.10.50, 4011.20.10, or 4011.20.50, of the Harmonized Tariff Schedule of the United States (HTSUS).

Not subject to this additional duty are the following:

- pneumatic racing car tires,
- new pneumatic tires of a kind used on large trucks and buses;
- new pneumatic tires of a kind used on agricultural or forestry vehicles and machines and construction or industrial handling vehicles or machines;
- new pneumatic tires of a kind used on aircraft, bicycles, motorcycles, trailers, all-terrain vehicles, and vehicles for turf, lawn and garden, and golf applications;
- pneumatic tires that are not new, including recycled and re-treaded tires; and
- non-pneumatic tires, such as solid rubber tires.



A new U.S. note, number 14, and two new subheadings are added to Subchapter III of chapter 99, Temporary Modifications Established Pursuant To Trade Legislation of the HTSUS, to collect the

additional duty:

- 9903.40.05 applicable to 4011.10.10; 4011.20.10, and
- 9903.40.10 applicable to 4011.10.50 and 4011.20.50.

These subheadings have been programmed into ACS.

The new duties are in addition to those in column 1 general rate of duty and are imposed for a period of 3 years. For the first year, the additional duty shall be in the amount of 35 percent ad valorem above the column 1 general rate of duty. For the second year, the additional duty shall be in the amount of 30 percent ad valorem above the column 1 general rate of duty, and in the third year, the additional duty shall be in the amount of 25 percent ad valorem above the column 1 general rate of duty.

Thus, for Chinese origin new pneumatic tires, of rubber, of a kind used on motor cars (except racing cars) and on-the-highway light trucks, vans, and sport utility vehicles:

- Entered on or after September 26, 2009, through September 25, 2010, the additional duty is 35%;
- Entered on or after September 26, 2010, through September 25, 2011, the additional duty is 30%;
- Entered on or after September 26, 2011, through September 25, 2012, the additional duty is 25%.

The classification analysis to determine whether or not a good is classifiable in headings 9903.40.05 or 9903.40.10 is as follows:

- The good must be a new pneumatic tire of Chinese origin.
- The new pneumatic tire of Chinese origin must be of a kind used on motor cars (except racing cars), station wagons, sport utility vehicles (SUVs), vans, and on-the-highway light trucks.

### **Carborundum Factors**

The Court of International Trade has identified several factors which are indicative but not conclusive, to apply when determining whether merchandise falls within a particular class or kind. These factors include: general physical characteristics, the expectation of the ultimate purchaser, channels of trade, environment of sale (accompanying accessories, manner of advertisement and display), use in the same manner as merchandise which defines the class, economic practicality of so using the import, and recognition in the trade of this use. See *United States v. Carborundum Co.*, 63 CCPA 98, C.A.D. 1172, 536 F. 2d 373 (1976), cert. denied, 429 U.S. 979. Application of the Carborundum factors, i.e., general physical characteristics, marketing information, expectations of the purchaser, and recognition of the trade as to the use of the product, to tires imported from China, will determine whether the tires are subject to the chapter 99 duties.

### **LT or P Designation**

Tires with an LT or P designation on the sidewall of the tire are within the chapter 99 designation. National Highway Transportation and Safety Administration regulations provide that a tire manufacturer may use an LT or a P symbol on the side wall of a tire to indicate that it is of the type that are to be mounted onto a light truck or passenger vehicle. See 49 CFR 571.139. These tires must meet certain physical requirements to be labeled with the LT or P labels. Thus, these tires are being specifically held out in the marketplace and are considered by industry to be tires of a kind to be mounted onto motor cars such as passenger vehicles, SUVs, vans, and light trucks. These tires also have the general physical characteristics of tires that are to be mounted onto the vehicles noted above and they are specifically being marketed as these types of tires.

### **Load Range**

In the absence of the LT or P designation, the load range of a tire is useful when determining if a tire is of the class or kind to be classifiable in the new Chapter 99 provision is the load range of the tire. The load range of a tire indicates the weight that each tire can carry. Thus, a tire that can only carry the weight of a motor car, light truck, or van has the physical characteristics of a tire that is to be mounted onto these types of vehicles. Tires that are of the kind to be mounted onto a motor car may have the following load indications: Standard Load (SL), Light Load (LL), or Extra Load (XL).

An on-the-highway tire that is of the kind to be mounted onto trucks will have an alphabetical load range indicator. Generally, a tire that has a load range of A through E (or some other equivalent standard) has the physical characteristics of a tire that is of the class or kind to be mounted onto a light truck. Tires with a load range indication of F will require additional information such as marketing information, channels of trade, etc., to determine whether or not it is of the class or kind to be mounted onto a light truck. A tire with a load range of G or higher is generally not of the class or kind to be mounted onto a light truck.

Source: [http://www.cbp.gov/xp/cgov/trade/trade\\_programs/duty\\_rates/advalorem\\_chinese\\_tires.xml](http://www.cbp.gov/xp/cgov/trade/trade_programs/duty_rates/advalorem_chinese_tires.xml)

**Additional Information:**

(Proclamation 8414-To Address Market Disruption From Imports of Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China)

(Presidential Determination No. 2009-28 of September 11, 2009 Imports of Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China)

(CBP Advises Importers of Additional 35 Percent Ad Valorem Duties on Chinese Tires)

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## **Summary of Laws enforced by CBP**

Since there always seems to be something new and/or different occurring within international trade, the following link will serve as a valuable resource to research the various laws enforced by CBP:

[http://www.cbp.gov/linkhandler/cgov/trade/legal/summary\\_laws\\_enforced/summary\\_laws.ctt/summary\\_laws.doc](http://www.cbp.gov/linkhandler/cgov/trade/legal/summary_laws_enforced/summary_laws.ctt/summary_laws.doc)

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If you have any questions or comments regarding the Compliance eNewsletter, please contact [Paul Codere](#) from the Customs Brokerage Department.

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September 25, 2009

Dear Valued Customers,

AIT Worldwide Logistics, Inc. previously announced the cargo screening mandate as required by the Department of Homeland Security and the Transportation Security Administration (TSA). Congress passed the 9/11 Act in August of 2007 outlining the timeline of this requirement. The screening mandate required 50% of all cargo moving on passenger aircraft screened by February, 2009 and 100% of all cargo moving by passenger aircraft by August of 2010. In fact, since that mandate was released, the industry reached the 100% screening of all cargo moving on narrow body aircraft in October of 2008, and have also reached the 50% of all cargo in February 2009. The next step will be to achieve 100% screening of all cargo moving on all passenger aircraft by August 2010.

TSA's approach to 100 percent screening seeks to reconcile the impacts of industry operations with the security needs of passenger air travel. A key component of this strategy is the Certified Cargo Screening Program (CCSP). The CCSP is a voluntary program designed to enable vetted, validated, and certified supply chain facilities to screen air cargo prior to delivering the cargo to the air carrier. The CCSP will create additional screening capacity and provide a practical, effective opportunity for screening to occur on individual pieces of cargo prior to consolidation.

The CCSP is a facility based program for supply chain entities located within the United States. Facilities that successfully apply and participate in the CCSP program will be designated as Certified Cargo Screening Facilities (CCSFs) and must adhere to TSA mandated security standards. For more information on the CCSP, please contact [CCSP@dhs.gov](mailto:CCSP@dhs.gov). Any facility that tenders cargo directly to an air carrier or indirect air carrier (IAC) may apply to become a CCSF. This includes:

- Manufacturers
- Warehouses
- Distribution Centers
- Third Party Logistics Providers
- Indirect Air Carriers
- Airport Cargo Handlers
- Independent Cargo Screening Facilities

How will this affect your cargo? If you are shipping domestically within the United States, then your cargo is already being screened. The additional 50% screening mandate will apply to primarily export cargo being consolidated on wide body aircraft. These types of aircraft are only utilized at specific airports that have technology screening capabilities in place already. The concern is the amount of time required to properly screen 100% of cargo. This is the reason for the CCSP and the recent announcement of the TSA interim rule establishing a screening program.

Additional information can be obtained by contacting [compliance@aitworldwide.com](mailto:compliance@aitworldwide.com), your local AIT sales representative or by reviewing the TSA website: [http://www.tsa.gov/what we do/tsnm/air cargo/programs.shtm](http://www.tsa.gov/what_we_do/tsnm/air_cargo/programs.shtm).

Thank you,  
AIT Worldwide Logistics, Inc.

## PARTNER NEWS

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### AIT Worldwide Logistics Partners with PGL Brazil

AIT Worldwide Logistics has recently entered into a partnership agreement with PGL Brasil LTDA.

Offering comprehensive, end-to-end supply chain services including air, sea and surface transport, PGL enjoys an excellent reputation in the market as one of the leading, privately-owned, IATA-licensed forwarders in Brazil.

"While our previous partner has provided us with commendable service over the past several years, it has become evident that our logistical needs in Brazil have outpaced their capabilities and resources," said Larry Georgen, director of AIT's global network. "I am confident that PGL will enhance our country coverage, air and ocean buying power and most importantly, leverage the development of reciprocal business."

Founded by John Hickey in 1998 with 110 employees and 10 offices in Brazil, PGL covers the forwarding and logistical needs of Brazil through an experienced staff supported by continuous training on dangerous goods, tariffs and general transport and loading regulations.

"Although PGL Brazil has been in business for 11 years, the team has been together for much longer," said Ray Fennelly, director of business development. "John Hickey has formed a transportation company with the best logistics experts in the industry - their combined experience and skill in developing logistics programs will open new and creative ways for AIT to help our customers build a rapid just-in-time supply chain model to their clients in Brazil."

According to Jay Walick, AIT/PGL operations manager, forging a partnership with PGL will dramatically improve the overall quality of transportation AIT offers to and from Brazil.

"The U.S. customers that PGL has brought over to AIT, along with our own, have given us instant credibility in the region," he said. "We now have an operational Miami gateway center that is securing extremely competitive pricing into Brazil and other South and Central America destinations. Coupled with our already strong domestic truck network, which provides our customers excellent rates and service from their door to Miami, AIT is sure to close new business in Brazil."

Fennelly notes that Brazil can be a very challenging market for transportation companies, regardless of their size or structure.

"Brazilian government penalties and fines are assessed for even the smallest typographical error or mistake on a transportation document," he explained. "However, despite the challenges, a 'boutique forwarder' approach to the market can even the playing field very quickly with the large multinational logistics companies. Our customer's shipments are monitored closely from A to Z in every case, including the pre-shipment review of the documentation by a PGL Brazil expert."

Walick also points out that PGL's brokerage operation clears cargo through Customs within 48-72 hours in Brazil, when the "local" average is 7-10 business days.

"This is a strong selling point and added advantage, as the end-users receive their cargo quicker and avoid paying any storage charges," Walick explained.

PGL's corporate office is located in Sao Paulo city with international operational offices in Sao Paulo (Guarulhos), Sao Paulo (Viracopos), Santos, Rio de Janeiro, Manaus, Vitoria, Porto Alegre, Fortaleza and Curitiba.

"Thanks to PGL's many years of know-how in the Brazilian market, they are up to our clients' challenges and have what it takes to be a reliable transportation logistics provider in a very difficult and detail oriented market," said Georgen. "PGL will assist us in developing solutions for our clients' logistics problems and implementing them efficiently. AIT is on its way to becoming a strong and more innovative provider of logistics services on the USA - Brazil trade lane."

With the support of AIT's recently developed gateway in Miami, all current and future Brazilian import and export business is to be routed exclusively through PGL Brazil.

"Through the efforts of Ray Fennelly and Jay Walick, AIT has developed a trust-based working



relationship with PGL," said Georgen. "This strategic partnership will help us obtain special rates and customer service, which in turn will increase the overall quality of our transportation services to and from Brazil."

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If you have any questions or comments regarding the Partner News eNewsletter, please contact [Larry Georgen](#), Director Global Network.

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## GOING GREEN

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### Recovery Act Funds Awarded to Reduce Diesel Emissions, Create Jobs

In a move that will create jobs, boost local economies, reduce diesel emissions and protect human health and the environment, EPA recently awarded approximately \$156 million in grants to clean up diesel emissions from a wide range of transportation sources. These funds are part of a larger \$300 million clean diesel program funded by the Recovery Act.

The grants were awarded based on their potential to maximize economic benefits through job preservation and creation, protect public health, and lower diesel emissions from older diesel engines. In addition to achieving significant reductions in diesel emissions, funded projects are focused on cleaning up diesel engines operating in highly populated areas with poor air quality.

The funds are provided under the 2009 Recovery Act's National Clean Diesel Funding Assistance Program and distributed through EPA's regional offices. Recipients include states, cities, school districts, port authorities and other public agencies. Over the next several weeks, additional funds for reducing diesel emissions will be awarded through the SmartWay Innovative Finance Program (\$30 million) and the National Clean Diesel Emerging Technology Program (\$20 million). Forty-nine States and the District of Columbia have already received State Clean Diesel Grants Program (\$86 million).

Through the National Clean Diesel program more than \$147 million have been awarded to date, supporting a variety of cost-effective emission reduction strategies, including:

- Verified retrofit devices
- Engine upgrades
- Verified idle reduction technologies
- Certified engine repowers
- Certified vehicle or equipment replacement
- Cleaner fuels

Source: [www.epa.gov](http://www.epa.gov)

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### Port of Indiana Handling Equipment for Massive Wind Farm

The Port of Indiana-Burns Harbor has begun handling shipments of wind turbines and blades, which will be used to construct one of the world's largest wind farms in the northwestern part of the state.

The Meadow Lake Wind Farm-a 26,000-acre "clean energy" project-could eventually contain 600 turbines supplying power to more than 250,000 homes.

On June 1, the port received the first shipment of generators and hubs built by Denmark-based Vestas Wind Systems. Later that month, 94 blades measuring 132-feet long by 10-feet high and 6-feet wide were unloaded at the port, along with more generators and hubs.

Source: *World Trade magazine*



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## **Airlines present climate change proposals to heads of governments**

The International Air Transport Association (IATA) presented its proposals for December's climate change talks to the UN Secretary General's Summit on Climate Change in New York. The forum takes place in the run-up to the United Nations Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen this December. The aviation sector is united in calling on world leaders to retain a global sectoral approach to reducing aviation emissions under the leadership of the International Civil Aviation Organization (ICAO), working in cooperation with the sector through IATA.

"Climate change is a global problem. Aviation is a global industry. And we need a global approach for this industrial sector if we are to deal with climate change effectively," said Giovanni Bisignani, IATA's Director General and CEO.

"Mechanisms designed for ground-based polluters will not work effectively for aviation which can emit CO2 across borders and over the high seas even on a single flight. And already uncoordinated national and regional schemes are creating a patchwork of punitive taxes that fill government coffers, but do little or nothing to effectively manage aviation's emissions," said Bisignani.

"The Kyoto Protocol directed states to address aviation through ICAO. Its global standards and cooperation with industry have made air transport the safest form of travel. A global sectoral approach for aviation can leverage this same leadership to deliver results for aviation and the environment," said Bisignani.

The aviation industry presented a paper outlining the industry's commitment to three sequential targets.

1. Improving carbon efficiency with a 1.5% average annual improvement in fuel efficiency to 2020
2. Stabilizing emissions with carbon-neutral growth from 2020
3. Emissions reductions with a 50% absolute cut in emissions by 2050 compared to 2005

"Our targets are tough. Air transport is the first industry to commit to carbon-neutral growth at the global level. And we have done it with an aggressive timeline of 2020. Our four-pillar strategy of technology investment, efficient infrastructure, effective operations and positive economic measures will make our vision a reality and is already showing results. Aviation's emissions are expected to fall 7% in 2009 - 5% as a result of the recession and 2% directly related to the strategy. IATA's 'Green Teams' have saved 34 million tons of CO2 through operational efficiencies since 2005; our work on improving infrastructure, including shortening air routes, has saved a similar amount of CO2 since 2004. But our success depends on governments playing their part. They must implement more effective air traffic management: the introduction of NextGen air traffic management in the USA and the Single European Sky in Europe have the potential to save 41 million tonnes of CO2 annually. Governments must also create the legal and fiscal framework to support the development of sustainable biofuels for aviation," said Bisignani.

The paper also outlined guiding principles to ensure that the global sectoral approach results in emissions reductions, retains funds for investment in environmental initiatives for aviation, preserves a level playing field, provides access to global carbon markets and ensures that airlines cover the environmental cost of their emissions.

"Aviation is unique in its ability to move globally as a sector - from safety to e-ticketing. Retaining a global sectoral approach at Copenhagen will deliver the best results in managing reductions in aviation's emissions," said Bisignani.

Source: *International Air Transport Association*

<http://www.iata.org/pressroom/pr/2009-09-22-01.htm>

# The final mile

How to develop a successful B2C in-home delivery service solution

In 2008, an estimated 192 million U.S. Internet users visited an average of 11.3 retail sites per month to make their online purchases. As online retail revenue continues to increase, its impact on the ways in which individuals shop has undoubtedly transformed many of the ways in which logistics providers distribute their goods and services.

“Business-to-consumer needs have become a growth engine for the transportation and logistics industry in recent years,” says Ray Fennelly, director of business development for AIT Worldwide Logistics. “This shift in buying patterns and business activities has presented tremendous opportunities for logistics providers, who have been challenged to develop a more robust and highly sophisticated B2C residential delivery service for their customers.”

*Smart Business* sat down with Fennelly to discuss how logistics providers have adapted to the in-home delivery expectations of convenience, speed and choice among their customers.

## Explain how and why logistics providers have been trending toward developing in-home delivery services for their customers.

The proliferation of online technology to facilitate e-commerce, online shopping and the B2C sector has put the spotlight on in-home delivery services for logistics providers, who are trusted by retailers, vendors and consumers to coordinate and handle the ‘final mile’ of purchases from brand owners to consumers.

With the continuing need to drive down costs and deliver directly and efficiently to the consumer’s residence, the logistics market has been increasingly shifting away from B2B business models and moving toward B2C. Today, online distributors and Main Street retailers share the same concern in finding the most prompt, reliable way to market and deliver goods such as TVs, fitness equipment and furniture direct to the consumer’s door.

Consumers’ spending behaviors and buying patterns have drastically changed as a result of their growing confidence in the Internet. Before the dot-com boom approximately 10 years ago, moving large consolidated shipments from manufacturer to distributor to retailer



**Ray Fennelly**  
Director of business development  
AIT Worldwide Logistics

was the industry norm. Now, logistics providers are commonly delivering merchandise directly to consumers in the comfort and privacy of their own homes.

## What are the risks or challenges presented with in-home delivery services?

Several indirect and direct complexities are involved with a home-delivery service solution. For starters, technology’s role in streamlining delivery details and enhancing every aspect of communication is crucial — today’s Web-savvy customers expect to schedule online delivery appointments and receive automated e-mail responses and real-time status updates.

Delivering to private individuals instead of companies requires tremendous flexibility on the part of logistics providers. Getting access to delivery at a time that’s convenient for the homeowner often means you must be available to both coordinate and conduct their deliveries during weekday evenings or on weekends. It also means that you must be proactive in rescheduling appointments in the event that no one is home to accept the delivery or correcting a data

entry error that has led you to the wrong address.

Regardless of consumers’ various service specifications, protecting both the home and the goods you are delivering is critical to ensuring customer satisfaction. Damage to walls, paint and carpeting are equally as detrimental as any potential damages done to the customer’s LCD television or treadmill while in transit. You also have to be mindful of regulatory concerns. For instance, individuals under the age of 18 cannot sign for the goods.

Essentially, the real challenge lies in ensuring that you provide the consumer a professional and quality experience from point of purchase to final delivery.

## Describe specific service demands of in-home delivery customers.

The logistical requirements of supply chains extending to each customer’s address tend to be highly detailed and involved, as they include features and value-added benefits such as ‘white glove’ services, room-specific deliveries, professional installation, packing and unpacking, and debris removal.

While those services begin for logistics providers at the point of dispatch, the customer’s main concern is rarely about the lifecycle of his or her shipment. Instead, customers need to know whether or not you can be held accountable for meeting the delivery promise you’ve made to them. Empathize with the fact that their time is valuable — they have likely rearranged their schedules in order to be home when their goods are scheduled to arrive.

Similarly, ensure that your work force is courteous, respectful, knowledgeable and polite upon entering each customer’s private home, and represents your company in a professional manner upon delivery. Remember that, in order to successfully develop a comprehensive expedited in-home delivery product, you must first acknowledge the fact that customer satisfaction goes far beyond the actual service and delivery requirements. <<

**RAY FENNELLY** is the director of corporate development for AIT Worldwide Logistics, Inc., headquartered in Itasca, Ill. Spanning numerous nationwide locations and an ever-increasing network of international partnerships, the global transportation and logistics provider delivers tailored solutions for a wide variety of vertical markets and industries. Reach him at [rfennelly@aitworldwide.com](mailto:rfennelly@aitworldwide.com) or (800) 669-4AIT.

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