THE PORTAL

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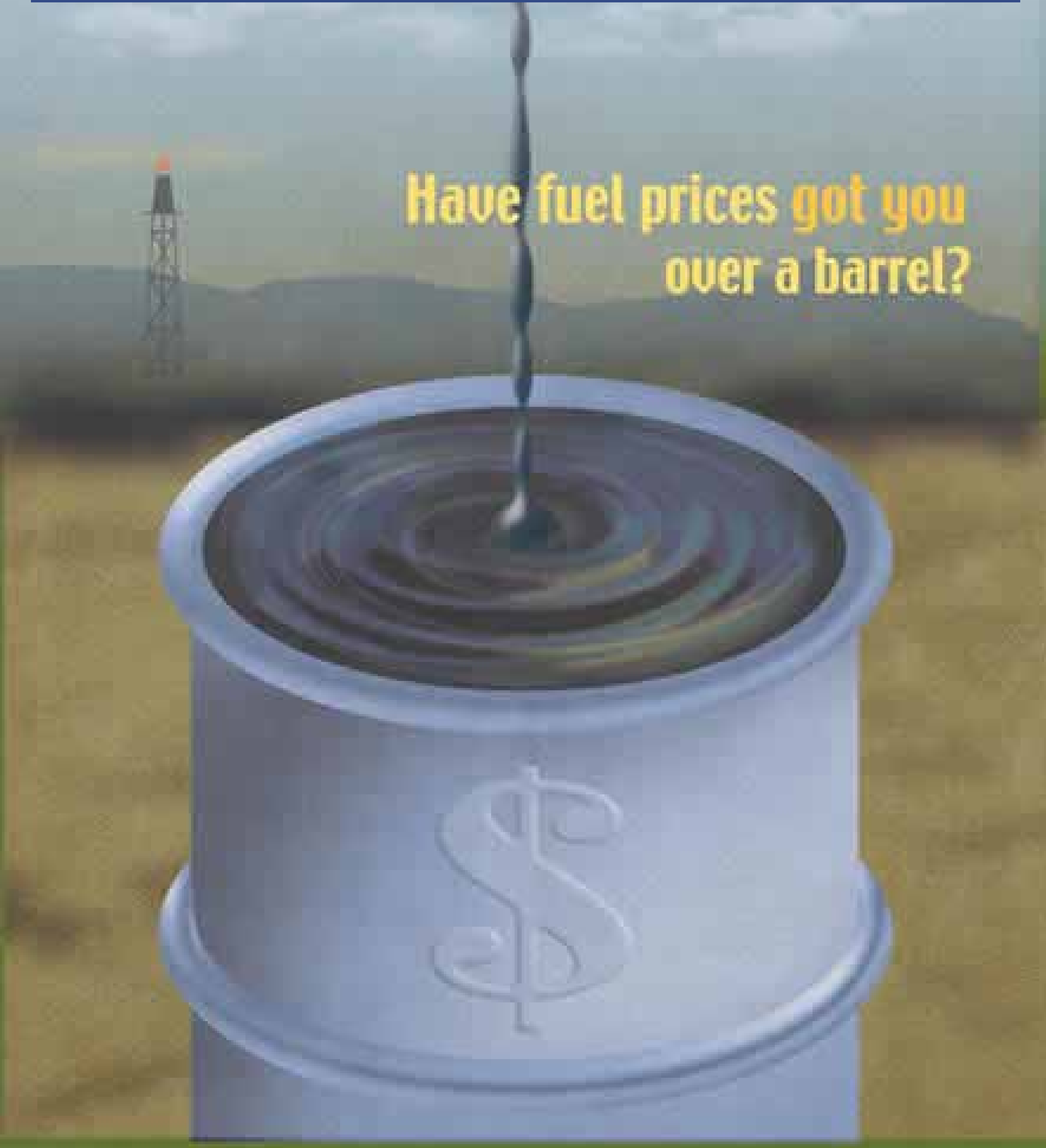

THE PORTAL

VOLUME XXXVIII — JANUARY/FEBRUARY 2006

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About our cover: *Fuel prices have skyrocketed in recent months. What do higher prices mean for the industry? Our coverage begins on page 5. Cover design by Stephanie Sutherland, Glennan Graphics.*

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THE PORTAL

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By Terry R. Head
HHGFAA President

'Crude' Awakenings

Oil, black gold, Texas tea, petroleum, petrol, fuel, diesel fuel, bunker fuel, fuel oil, gasoline, gas ... no matter what it's called or how it's used in your area of the world, crude oil and its derivatives play a key role in your life and in your business.

The first oil wells were drilled in China in the 4th century or earlier, where the oil was burned to evaporate brine and produce salt. By the 10th century, extensive bamboo pipelines connected oil wells with salt springs. Ancient Persian tablets indicate the medicinal and lighting uses of petroleum in the upper echelons of their society. In the 8th century, the streets of the newly constructed Baghdad were paved with tar, derived from easily-accessible petroleum from natural fields in the region.

The modern history of oil began in 1853 with the discovery of the oil distillation process, when oil was distilled into kerosene by a Polish scientist. The first modern oil well was drilled in 1848 by a Russian engineer. The first commercial oil well drilled in North America was in Oil Springs, Ontario, Canada, in 1858. The crude oil industry grew slowly in the 1800s, driven by the demand for kerosene and oil lamps. It became a major national concern in the early part of the 20th century upon the introduction of the internal combustion engine, particularly the automobile, providing a demand that has largely sustained the crude oil industry to this day.

Early "local" oil discoveries in Pennsylvania and Ontario were quickly exhausted, leading to "oil booms" in Texas, Oklahoma, and California. By 1910, significant oil fields had been discovered in Canada, the Dutch East Indies, Persia, Peru, Venezuela, and Mexico. Following World War II, significant areas of the Middle East were explored and developed for crude oil production.

Following the energy crisis in 1973 and again in 1979, there was significant media coverage of oil supply levels. This brought to light the awakening and concerns that oil is a limited resource that will eventually run out. At the time, the most common and popular predictions were always quite dire, and when they did not come true, many dismissed all such discussion. The future of petroleum as a fuel remains somewhat controversial. *USA Today* reported in 2004 that there are 40 years of petroleum left in the ground. Some would argue that because the total amount of petroleum is finite, the dire predictions of the 1970s have merely been postponed. Others argue that new technology will continue to allow for the production of cheap hydrocarbons and that the earth has vast sources of unconventional petroleum reserves.

Today, about 90% of the world's vehicular fuel needs are met by oil. Petroleum also makes up 40% of total energy consumption in the United States, although the United States has less than 3% of the world's known oil reserves.

This issue of **The Portal** explores the impact of oil on the world's economies and its particular impact on our Industry. We hope that these articles will stimulate your thinking and will serve as an awakening that crude oil and the worth of petroleum as an energy source powering the vast majority of vehicles, and as the base of many industrial chemicals, make it one of the world's most important commodities. ■

ABOUT THIS ISSUE

By far one of the most important issues facing HHGFAA members today is that of fuel costs. Even before Hurricane Katrina hit the Louisiana coast of the United States — an event that has created a domino effect in every economic segment — fuel prices had been inching upward. It will take quite some time for the true effect of higher and higher oil prices to be known. But the odds are, you are already trying to find ways to offset this important line item at your company. **PORTAL** coverage of this issue begins on page 5.

With this edition of **THE PORTAL**, we also inaugurate an exciting new section written by the members of HHGFAA's Associate Members Management Board. The first installment of this recurring series, written by Marilyn Sargent, offers a fascinating firsthand perspective of how her company, based in Hawaii, is coping with current fuel prices, as well as an in-depth look at how oil fits into the greater scheme of society and the global marketplace. Sargent's article, which you will find timely and thought-provoking, begins on page 16.

We at HHGFAA hope this new series, called "AMMB Outlook," will encourage other HHGFAA members to contribute to the magazine as well. Sharing your own perspective and experiences with your fellow HHGFAA members through **THE PORTAL** can enrich everyone's understanding of issues of concern to us all.

PORTAL FOCUS: OIL

High Oil Prices Met With Anger Worldwide

By Paul Blustein and Craig Timberg

Rising fuel prices are stoking popular anger around the world, throwing politicians on the defensive and forcing governments to resort to price freezes, tax cuts and other measures to soothe voter resentment.

Last October in Nigeria, President Olusegun Obasanjo promised in a nationally televised Independence Day speech that the cost of gasoline would not increase further until the end of 2006, no matter what happened in global oil markets. He acted after furious demonstrations shut down whole sections of major cities around the country over the past several weeks.

Antagonism over the strains inflicted by escalating energy costs is a phenomenon that stretches from rich nations in Western Europe, where filling up a minivan costs upward of $100, to poor countries in Asia and Africa, where rising oil prices have driven up the cost of bus rides and kerosene used for cooking.

Although prices vary widely around the globe, with many governments keeping fuel costs below market levels and others maintaining stiff taxes on petroleum products, the mood in many parts of the world can be summed up in the lamentations of Julia Seitsang, a mother of 10 who lives in Windhoek, the capital of the southern African country of Namibia.

"Gas prices are biting us so hard it stings," said Seitsang, a 46-year-old businesswoman, opening her wallet to show just a few Namibian coins as she stood on a busy street looking for someone to share a taxi. "I have to spend more and more for my husband to drive my children to school every day."

Adding that her children, who go to three different schools according to their grades and talents, might have to be moved to one school because of the family's gasoline bill, she said, "I swear we are living in the hands of Jesus with these gas prices."

The impact is particularly hard on people in nations like Namibia, where the average annual income is $5,000 and gas costs about $5 a gallon. They have watched helplessly as the prices of crude oil and petroleum products, which are set in global markets, have soared over the past two years, first because of the powerful demand generated in large part by China's rapidly growing economy and more recently because of the gasoline shortages generated by Hurricane Katrina. But in many wealthy countries as well, discontent among ordinary citizens is compelling politicians to respond.

In the European Union, there was a brief attempt by the 25 member governments to maintain a united front against consumer demands for tax cuts, rebates and other subsidies to offset rising fuel prices. Many of those governments depend on taxes that add as much as $5 to a gallon of gas.

But the unity cracked last month as Poland and Hungary approved fuel tax cuts and Belgium promised a rebate on home heating fuel taxes. In France, where a gallon of regular unleaded gasoline fetches up to $6.81 in Paris, thousands of farmers and truck drivers staged brief street demonstrations two weeks ago, and the government offered them a $36 million package of gas tax breaks and rebates.

In Canada, too, the government, facing an election next year, is scrambling to put together a package to present to the cabinet this week, including a new agency to monitor gas prices, help for low-income Canadians with their home heating bills, and new powers to investigate price-fixing complaints.

Canadians paid about $4.07 per gallon for gasoline shortly after Hurricane Katrina hit, reflecting the surge in petroleum prices for an industry closely tied to the giant U.S. market and taxes that are generally double those in the United States. Although the pump price subsided to an average of $3.50 a gallon last week, "there is a great deal of consumer frustration and outrage," said Cathy Hay, a senior associate at M.J. Ervin & Associates, an independent gas consulting firm in Calgary, Alberta. "It is hard for the average consumer to translate a refinery closed in Texas or Louisiana with how much they pay at a pump in Alberta."

In such countries, where stiff gas taxes help induce motorists to drive small, fuel-efficient cars, the griping by Americans about high gasoline prices evokes little sympathy. Ruth Bridger, a spokeswoman for the AA Motoring Trust, a British consumer advocacy group, said Britons look at the sport-utility vehicles that dominate U.S. highways and think, "Serves you right."

But prices in the United States have risen much faster than those in many parts of the developing world. Governments in developing countries often keep artificial lids on fuel costs -- sometimes by making state-owned refineries sell at a loss and using taxpayer funds to keep the refineries running, in other cases by using taxpayer funds to buy imported gasoline.

Therein lies one of the great ironies of the popular revolts against higher energy costs in nations such as Nigeria.

“The fact is, higher oil prices are not being fully passed through to the retail level in many countries,” said Mohsin S. Khan, the director of the Middle East and Central Asia Department at the International Monetary Fund. “In the States, higher oil passes through to retail prices very quickly.” But in the developing world, Khan said, “virtually everywhere, consumers are being protected in many ways, with governments absorbing the cost in their budgets. There is some pass-through, but it’s not complete.”

Such subsidies are by no means confined to big oil-exporting countries, like Venezuela and Iran, where gasoline prices are famously cheap, in the tens of cents per gallon.

In India, which imports about 75% of its crude oil, domestic fuel prices have risen less than one-third as fast as international prices, according to Hans Timmer, an economist at the World Bank; the government’s failure to implement a system of market-determined prices caused state-owned refineries to lose $4.6 billion in 2004.

Next door in Pakistan, despite increases of 4.9 to 8.9% in September, fuel prices are still more than 15% under world market levels, Timmer said. Many sub-Saharan African governments have been unable to continue the budgetary cost of providing gasoline cheaply, so some have allowed prices to rise at least partially. But not all have; the Central African Republic has frozen prices at the pump since 1999.

Indonesians had been paying about 90 cents a gallon for gasoline — until the government of President Susilo Bambang Yudhoyono announced that gasoline prices would nearly double and kerosene prices would triple. Officials said they had no choice, since fuel subsidies have swelled to about one-third of government spending. Word of the impending price hike sparked protests in many cities; on Friday, police were using tear gas to disperse thousands of demonstrators. The reaction was muted compared with the deadly rioting triggered by previous price hikes, but the government is bracing for possible violence as the impact sinks in.

Although the relatively restrained level of fuel prices in those countries has helped keep consumers spending and economies growing, the subsidies are imposing a severe burden on taxpayers and cannot continue without bankrupting some of the governments involved, economists contend. “These economies may be delaying a necessary adjustment to high oil prices,” said Haruhiko Kuroda, the president of the Asian Development Bank, a Manila-based institution owned by 64 governments. He said the artificially low cost of energy translates into excessive consumption.

But it is not easy for governments to shed subsidies, because citizens get upset when the price goes up, whether it is subsidized or not.

Zhang Qihe, 43, a Beijing taxi driver, has seen gas rise from about 91 cents a gallon in 1999 to about $2.30 a gallon now. As a result, he estimates he has to work an extra hour a day to make ends meet. “After a 14-hour workday, I go home exhausted,” he complained.

Likewise, in Russia, although major retailers froze prices at the pump this month until the beginning of 2006, that has done little to placate motorists who are paying the equivalent of about $2.60 a gallon, a jump of approximately 20% from the beginning of the year.

“The country rakes in oil. We have more oil than anyone,” said Nikolai Podkopayev, 45, who drives a van in Moscow delivering car parts. “The government is just not thinking about the people.”

Nigeria, a major oil producer, offers perhaps the most disturbing illustration of the depth of antipathy that can arise when fuel costs increase. In Nigeria, rising petroleum prices have dramatically fattened the budgets of the government and the bottom lines of oil businesses but caused a powerful backlash against President Obasanjo and, say some motorists, against democracy itself.

Since Obasanjo’s election in 1999 heralded the end of military rule, he has overseen years of steady decreases in government fuel subsidies at the urging of the World Bank. Prices have increased 44%, up to $1.74 per gallon, in just the past two months — a bargain to Americans, perhaps, but not to impoverished Nigerians.

Many motorists have taken to filling up tanks only partway, a few dollars at a time, as money becomes available. Mohammed Ali, 26, a government contractor, said it costs $25 to fill the tank of his black Honda coupe. On this afternoon, he put about $3.50 worth in the tank.

“It’s a really big problem,” Ali said. “Since we are one of the oil-producing nations, the pump risings should be affordable.”

In the spate of protests that has recently erupted, the most vehement participants have been motorcycle taxi drivers, generally recent migrants from poor, rural areas who have few job prospects. They say that ridership has fallen as they have been forced to raise their prices.

Mohammed Sani, 28, said he can recall that gas prices were one-sixth the price they are now under military dictator Sani Abacha in the 1990s. He said he would welcome a return to military rule if gas prices returned to those levels.

“We are not happy with democracy,” Sani said. “All our eyes are on petroleum” prices.

A gas station manager, Zamani Maisamari, 30, said the public anger comes from the combination of higher prices, a weak job market and stagnating services. Heavy fuel subsidies, he said, were one of the few forms of government spending that ordinary Nigerians could feel.

“You go to the hospital, there are no drugs,” he said. “You go on the roads, they are not good.”

He added, “Ever since we experienced democracy, each year it’s increasing price, price, price. Year after year.”

SOURCE: Washington Post

Cnooc Buys Oil Interest In Nigeria: Overseas Deal First Since Unocal Bid

By Peter S. Goodman, Washington Post Foreign Service

The Chinese state-controlled energy company Cnooc Ltd. recently announced a $2.27 billion deal to buy a 45% stake in a substantial offshore oil field in Nigeria, its first major foreign foray since its failed effort to purchase the American firm Unocal Corp. last summer.

The deal with South African Petroleum Co. is the latest in a string of Chinese investments abroad aimed at securing stocks of energy to fuel the country's relentless industrialization and its continued embrace of the automobile.

In recent years, Chinese firms — encouraged by the central government and lavished with state credit — have secured multibillion-dollar deals to buy into oil and natural gas ventures from Indonesia and Australia to Venezuela and Angola. Last year, China's largest energy firm, China National Petroleum Corp., agreed to pay $4.2 billion for a stake in an oil field in neighboring Kazakhstan, in the biggest overseas purchase ever made by a Chinese company.

For Cnooc, Nigeria represents its first significant venture in Africa, which has emerged as a central piece of China's global energy quest. China imports about 40% of its crude oil, with more than half coming from countries in the Middle East. But growing concern about instability in the region — a fact underscored by the US-led war in Iraq, once a centerpiece of China's oil aims — has prompted Beijing to seek out sources in other parts of the world.

Russia has emerged as a primary focus, with China continuing to jockey with Japan for a pipeline that would bring oil from Siberia. Africa, scorned by many multinationals as an unstable and difficult terrain for business, has become another key area of China's diplomatic and commercial concern.

"China needs oil, and China is working everywhere" said Shen Dingli, an international relations expert at Fudan University in Shanghai. "We have been too dependent on Middle East oil, and we want to diminish that dependence to have energy security."

Feds Settle Alternate-Fuel Suit

Four federal agencies have recently settled a lawsuit with environmental groups and agreed to buy thousands of vehicles that run on natural gas, electricity, ethanol, propane and other alternative fuels, according to the Associated Press.

Under the settlement, the Commerce, Labor and Transportation departments and the Veterans Administration admitted that they violated the federal Energy Policy Act and agreed to buy enough alternative fuel vehicles to meet the law's requirements, AP reported.

Signed by President George W. Bush's father in 1992, the act requires that 75% of new cars and light trucks bought by federal agencies run on alternative fuels. The law was intended to reduce dependence on foreign vehicles, reduce air pollution, spur technological innovation and stimulate the market for such vehicles, AP said.

In April 2005, the Tucson, Ariz.-based Center for Biological Diversity and the San Francisco-based Bluewater Network sued 14 federal agencies for failing to buy enough alternative vehicles to comply with the 1992 law.

SOURCE: Transport Topics

The Second Age of Globalization

By Larry Elliott, The Guardian

This is a time of rapid technological change. It is a period when the dominance of the world's superpower is coming under threat, and when prosperity masks underlying economic strain. And, crucially, it is a time when policymakers are confident that all is for the best in the best of all possible worlds. Welcome to the second age of globalization.

To take stock of what's been happening in the past few months, start with the oil price, which has rocketed to more than $65 a barrel, more than double its level 18 months ago. The accepted wisdom is that we shouldn't worry too much about that, because the incentives are there for business to build new production and refining capacity, which will bring demand and supply back into balance and bring crude prices back to $25 a barrel.

Then there's the result of the French referendum on the European constitution, seen as thick-headed Luddites railing vainly against the modern world. What the French needed to realize, the argument went, was that there was no alternative to the reforms that would make the country more flexible, more competitive, more dynamic. Just the sort of reforms that allowed Gate Gourmet to sack hundreds of its staff at Heathrow after the sort of ultimatum that used to be handed out by Victorian mill owners. An alternative way of looking at the French "non" is that our neighbors translate "flexibility" as "you're fired."

Finally, consider the United States. Just as in Britain a century ago, a period of unquestioned superiority is drawing to a close. China is still a long way from matching America's wealth, but it is growing at a stupendous rate and economic strength brings geopolitical clout. Already, there is evidence of a new scramble for Africa as Washington and Beijing compete for oil stocks. Moreover, beneath the surface of the US economy, all is not well. Growth looks healthy enough, but the competition from China and elsewhere has meant the world's biggest economy now imports far, far more than it exports. The US is living beyond its means, to the tune of $60 billion a month, but today a current account deficit worth 6% of gross domestic product is seen as a sign of strength, not weakness.

Iraq is not another Vietnam; the bombs in London on July 7 had nothing to do with Tony Blair's support for George Bush; rocketing oil prices do not mean a return to the recessions of the mid-1970s and early 1980s. Relax. These guys know what they're doing. Here in the UK, the government boasts proudly about its stewardship of the economy, when all the evidence is that activity collapses like a punctured souffle as soon as action is taken to restrain property speculation. Britain's manufacturing sector is a hollowed-out shell, unemployment has risen for 6 months in a row, the Bank of England is at war with itself over whether interest rates should be cut, and the only person who believes there is not a gaping black hole in the public finances is the chancellor of the exchequer, of whom very little has been seen or heard since the election.

Comfort is taken from the fact that costlier oil has not had the savage inflationary consequences of 1973–74, when a fourfold increase in the cost of crude brought an abrupt end to a postwar boom that had gone on uninterrupted for a quarter of a century. True, the cost of living has been affected by higher transport costs, but we are talking of inflation at 2.3% and not 27%. Yet the idea that higher oil prices are of little consequence is fanciful. If people are paying more to fill up their cars it leaves them with less to spend on everything else, but there is a reluctance to consume less. In the 1970s, unions were strong and able to negotiate large, compensatory pay deals that served to intensify inflationary pressure. In 2005, that avenue is pretty much closed off, but doing away with all the controls on credit that existed in the 1970s means that households are invited to borrow more rather than consume less. The effects of higher oil prices are thus felt in different ways — through high levels of indebtedeness, in inflated asset prices, and in balance of payments deficits.

Back in 1914, it was reasonable to believe that peace and prosperity would go on indefinitely. There had not been a major war involving all the great powers for 100 years, and the price level in Britain was lower in the year that the first world war started than it was in the year of Waterloo. New inventions and technology that would shape the 20th century — the motor car, the aircraft, the cinema — were being developed. Yet the following three decades did not see the final flowering of the first age of globalization but its disintegration. Only after two world wars and a global slump was it accepted that warning signs had been there long before World War I but been tragically ignored.

History does not always repeat itself. It may be different this time, with the second age of globalization avoiding the pitfalls of the first. There are those who point out, rightly, that modern industrial capitalism has proved mightily resilient these past 250 years, and that a sign of the enduring strength of the system has been the way it has apparently shrugged off everything — a stock market crash, 9/11, rising oil prices — that has been thrown at it in the half decade since the millennium. Even so, there are at least three reasons for concern. First, we have been here before. In terms of political economy, the first era of globalization mirrored our own. There was a belief in unfettered capital flows, in free trade, and in the power of the market. It was a time of massive income inequality and unprecedented migration. Eventually, though, there was a backlash, manifested in a struggle between free traders and protectionists, and in rising labor militancy.

Second, the world is traditionally at its most fragile at times when the global balance of power is in flux. By the end of the 19th century, Britain's role as the hegemonic power was being challenged by the rise of the United States, Germany and Japan while the Ottoman and Hapsburg empires were clearly in rapid decline. Looking ahead from 2005, it is clear that over the next two or three decades, both China and India — which together account for almost half the world's population — will flex their muscles.

Finally, there's the question of what rising oil prices tell us. The emergence of China and India means global demand for crude is likely to remain high at a time when many experts say production is about to top out. If supply constraints start to bite, any declines in the price are likely to be short-term cyclical affairs punctuating a long upward trend. In those circumstances it would be the height of folly to assume that there will be no economic consequences or that there will not be an intense — perhaps even bloody — struggle for the resource that more than any other has shaped the modern world.

SOURCE: The Guardian

US Fills Strategic Reserve to 700 Million-Barrel Level

The US Strategic Petroleum Reserve, the nation's emergency stockpile of crude oil, has been filled to the 700 million-barrel level ordered by President George W. Bush after the Sept. 11 terrorist attacks, Bloomberg reported.

As of Aug. 18, the reserve held 700.1 million barrels of crude oil, Bloomberg said. According to a US Department of Energy Website, 41% was classified as sweet, or low sulfur oil.

Craig Stevens, an Energy Department spokesman, told Bloomberg that filling the reserve improves security and protects citizens from the huge impact a disruption of oil shipments would have on the United States.

So far this year, the strategic reserve has grown by about 805,000 barrels a week, or 115,000 barrels a day. Stockpiles are expected to rise by an average of 66,000 barrels a day, Bloomberg said.

The reserve holds the equivalent of 280 days of US imports from the Persian Gulf, according to US Energy Department data.

SOURCE: Transport Topics

FedEx Kinko's Goes Green

FedEx Kinko's recently announced it will purchase environmentally friendly, renewable energy for 100 locations across the United States. Dallas-based FedEx Kinko's, an operating company of Memphis-based FedEx Corp., will increase its "green power" commitment by 67.5% to an estimated 40 million kilowatt hours (kWh) per year, the company said in a statement.

Renewable energy, or green power, is energy derived from a natural fuel source that continually reproduces itself over time. Sources of renewable energy include the sun, wind and water.

The printing and shipping provider has already agreed to purchase 10.8 million kWh of renewable energy for 88 of its locations in Southern California. The new purchase will provide 50% of the annual electricity consumption for those centers. FedEx Kinko's expanded its renewable energy purchases in locations throughout the US, including seven in the Memphis area, 10 in Seattle, 10 in Wisconsin and one in Pasadena, Calif. As a result of these new purchases, FedEx Kinko's now expects to avert more than 26,000 tons of carbon dioxide emissions each year.

Globalization Is an Anomaly and Its Time Is Running Out

By James Howard Kunstler

The big yammer these days in the United States is to the effect that globalization is here to stay: It's wonderful, get used to it. The chief cheerleader for this point of view is Thomas Friedman, columnist for the New York Times and author of The World Is Flat. The seemingly unanimous embrace of this idea in the power circles of America is a marvelous illustration of the madness of crowds, for nothing could be further from the truth than the idea that globalization is now a permanent fixture of the human condition.

Today's transient global economic relations are a product of very special transient circumstances, namely relative world peace and absolutely reliable supplies of cheap energy. Subtract either of these elements from the equation and you will see globalization evaporate so quickly it will suck the air out of your lungs. It is significant that none of the cheerleaders for globalization takes this equation into account. In fact, the American power elite is sleepwalking into a crisis so severe that the blowback may put both major political parties out of business.

The world saw an earlier phase of robust global trade run from the 1870s to a dead stop in 1914. This was the boom period of railroad construction and the advent of the ocean-going steamship. The great powers had existed in relative peace since Napoleon's last stand. The Crimean war was a minor episode that took place in backwaters of Eurasia, and the Franco-Prussian war was a comic opera that lasted less than a year -- most of it the static siege of Paris. The American civil war hardly affected the rest of the world.

This first phase of globalization then took off under coal-and-steam power. There was no shortage of fuel, the colonial boundaries were stable, and the pipeline of raw materials from them to the factories of Western Europe ran smoothly. The rise of a middle class running the many stages of the production process provided markets for all the new production. Innovations in finance gave legitimacy to all kinds of tradable paper. Life was very good for Europe and America, notwithstanding a few sharp cyclical depressions and recoveries. Trade boomed between the great powers. The belle époque represented the high tide of hopeful expectations. In America, it was called the progressive era. The 20th century looked golden.

It all fell apart in 1914. Historians are still baffled about what really brought on the first World War. What did France or Britain really care about Austrian archduke Franz Ferdinand, heir to the throne of a country already in deep eclipse? There were no active contests over territory at the time, not even in the Asian or African colonies. And yet the diplomatic failures of that fateful summer led to the great slaughter of the trenches, the death of a substantial portion of the younger generation, and a virtual nervous breakdown of authority in politics and culture. It would take a depression, fascism, and a second World War to resolve these issues and a new round of globalization did not ramp up again until the mid-1960s.

It may be significant that the first collapse of globalization occurred as the coal economy was transitioning into an oil economy, with deep geo-political implications for who had oil (America) and those who might seek to control the other major region closest to Europe that possessed it (then the Caspian, since Arabian oil was as yet undiscovered). The first world war was settled by those nations (Britain and France) that were friendly with the greatest producer of oil most readily accessed. Germany was the loser and again in the reprise for its poor access to oil. Japan suffered similarly.

We are now due for another folding up of the periodic global trade fair as the industrial nations enter the tumultuous era beyond the global oil production peak, which I have named the long emergency. The economic distortions and perversities that have built up in the current era are not hard to see, though our leaders dread to acknowledge them. The dirty secret of the US economy for at least a decade now is that it has come to be based on the ceaseless elaboration of a car-dependent suburban infrastructure — McHousing estates, eight-lane highways, big-box chain stores, hamburger stands — that has no future as a living arrangement in an oil-short future.

The American suburban juggernaut can be described succinctly as the greatest misallocation of resources in the history of the world. The mortgages, bonds, real estate investment trusts and derivative financial instruments associated with this tragic enterprise must make the judicious goggle with wonder and nausea.

Add to this grim economic picture a far-flung military contest, already under way, really, for control of the world's remaining oil, and the scene grows darker. Two-thirds of that oil is in the possession of people who resent the west (America in particular), many of whom have vowed to destroy it. Both America and Britain have felt the sting of freelance asymmetrical war-makers not associated with a particular state but with a transnational religious cause that uses potent small arms and explosives to unravel Western societies and confound their defenses.

China, a supposed beneficiary of globalization, will be as desperate for oil as all the other players, and perhaps more ruthless in seeking control of the supplies, some of which they can walk to. Of course, it is hard to imagine the continuation of American chain stores' manufacturing supply lines with China, given the potential for friction. Even on its own terms, China faces issues of environmental havoc, population overshoot, and political turmoil — orders of magnitude greater than anything known in Europe or America.

Viewed through this lens, the sunset of the current phase of globalization seems dreadfully close to the horizon. **The American public has enjoyed the fiesta, but the blue-light special orgy of easy motoring, limitless air-conditioning, and super-cheap products made by factory slaves far, far away is about to close down.** Globalization is finished. The world is about to become a larger place again.

James Howard Kunstler is the author of The Long Emergency: Surviving the Converging Catastrophes of the Twenty-First Century.

SOURCE: The Guardian

IEA Predicts Higher World Oil Demand

Global energy needs will surge 50% by 2030 and prices will rise if capacity is not significantly increased, according to a report issued Monday by the International Energy Agency, the Associated Press reported.

There are sufficient oil and natural gas reserves to meet those needs, particularly in North Africa and the Middle East, but about $20.3 trillion in new investments is urgently needed to bring those supplies to market, IEA said.

New energy sources will increasingly be needed to meet demand in growing economies like China and India, the group said, according to AP.

Energy-related carbon dioxide emissions will also climb, by 52% in the same period, the Paris-based IEA predicted.

The IEA, established during the oil crisis of 1973–1974, is an energy policy adviser for its 26 member countries, including the United States, Canada, Australia, and 19 European nations.

It coordinates measures in times of oil supply emergencies and makes policy recommendations on broader energy issues such as climate change, market reform and energy technology, AP said.

SOURCE: Transport Topics

Higher Oil Prices Stifle Growth in Industrial Manufacturing

Nearly half of the executives at large, multinational industrial manufacturing companies recently cited rising oil prices as a potential barrier to growth over the next 12 months. Additionally, 59% of companies that describe themselves as "oil vulnerable" are passing through price increases, compared to 39% of the others, according to a recent PricewaterhouseCoopers Manufacturing Barometer survey of 73 senior executives. And yet, despite the price increases by the "oil vulnerables," 41% of those same companies saw their margins decrease, compared to 23% of the others.

Rising oil prices were also seen as the chief culprit in declining profitability in another survey by the assurance, tax, and advisory services company of 147 CFOs and managing directors. Higher oil prices beat out other potential causes the survey looked at including competition from foreign markets, lack of demand, monetary exchange rates, and capital constraints. One third said the price of oil was the chief cause of slipping momentum.

The oil effect is rippling through the market. Surveyed companies indicated that a net of 34% of them raised prices, compared to a net of only 6% a year ago. A net of 26% reported increased costs in the first quarter of 2005, compared to minus 1% a year ago. The effect of higher costs on IT and new product/services budgets? Only 35% of the "oil vulnerables" expected to increase both IT and new product service budgets, compared to 47% of those that classify themselves as not vulnerable to oil prices. Overall, 77% were still optimistic about the US economy, compared to 3% who classified themselves as pessimistic.

Energy Prices Cause Supply Chain Re-Evaluation in Manufacturing

Senior manufacturing executives believe that rising energy costs will change the way they conduct their business and are looking to their supply chain managers to minimize the pain. The increasing burden of energy costs is forcing organizations to rethink not only their distribution plans, but also their operating strategies for contract manufacturing. These findings come from a survey of more than 60 corporate executives from a wide range of industrial companies about the impact of energy on their business. The survey was conducted Oct. 10-14 by Boston-based Industry Directions Inc., an industry analyst firm that conducts research on the business processes and enabling technologies used in manufacturing.

Over three-quarters (77%) of the executives surveyed indicated that they are increasingly focused on supply chain issues as a result of the rapid changes in energy markets. "The rising cost of energy is forcing companies to rethink their longer-term operational strategies, including revamping their supply chain network design," said William Brandel, principal at Industry Directions. "Further, nearly half of all companies now say they are reconsidering whether and how to implement offshore manufacturing, once seen as a panacea for controlling costs."

The survey also indicated differences in the way process and discrete manufacturers were responding to the rising costs. Although both sectors ranked logistics and sourcing as their top areas of concern, process manufacturers, whose production processes are more energy-intensive and whose feed stocks are often petroleum-based, are also concerned about forecasting, production, and inventory management.

Refinery Upgrades Not Adding Capacity, *Journal* Reports

With oil at record prices, US refiners are upgrading their facilities but are not adding more capacity, and the upgrades will not necessarily lead to retail fuel price reductions, the *Wall Street Journal* recently reported

Instead of expanding capacity, refineries are investing in equipment that can process cheaper crude oil and refitting their facilities to meet new clean-fuel requirements, the paper reported.

The lack of new capacity could keep upward price pressure on refined fuels such as gasoline, diesel, heating oil and other end products, the *Journal* said.

Tight refining capacity has been a factor in pushing up retail pump prices, with refining making up about 18% of the cost of a gallon of gasoline. Crude oil prices make up 54% of the cost, the *Journal* said.

US refining capacity is expected to grow by just 0.8% annually from the start of this year through 2007, the paper reported, citing Friedman, Billings, Ramsey, a Washington, D.C., investment bank.

OIL FACTS

Every 24 hours California's Carson Refinery produces 7 million gallons of gasoline—only 14% of the state's daily diet. *(SOURCE: National Geographic)*

❖

The amount of crude oil produced in the United States has been getting smaller each year, but demand is rising. About 58% of the crude oil and petroleum products used in the United States comes from other countries. *(SOURCE: Energy Information Administration)*

❖

Biofuels such as biodiesel and ethanol are made from fat, corn, and other organic sources. Germany uses about 450 million gallons of biodiesel a year, about 3% of its total diesel consumption. *(SOURCE: National Geographic)*

❖

One barrel of crude oil, when refined, produces about 20 gallons of finished motor gasoline, and 7 gallons of diesel, as well as other petroleum products.

❖

The world's top five crude oil-producing countries are Saudi Arabia, Russia, the United States, Iran, and China. Over one-fourth of the crude oil produced in the United States is produced offshore in the Gulf of Mexico. The top crude oil-producing states are Texas, Alaska, California, Louisiana. and New Mexico. *(SOURCE: Energy Information Administration)*

❖

Solar panels covering less than a quarter of the roof and pavement space in cities and suburbs could supply the United States with all its electricity. In Spain, a recent law requires new buildings to include solar energy. But today, one of the largest arrays — with 33,500 panels — is at a solar park in Leipzig, Germany. *(SOURCE: National Geographic)*

❖

Globally, wind supplies less than 1% of electrical power, but it's the fastest-growing source of energy. However, wind is currently the biggest success story in renewable energy. In Denmark, the total installed wind power is now more than 3,000 megawatts—about 20% of the nation's electrical needs. All over Europe, generous incentives designed to reduce carbon emissions and wean economies from oil and coal have led to a wind boom. The continent leads the world in wind power, with almost 35,000 megawatts, equivalent to 35 large coal-fired power plants. *(SOURCE: National Geographic)*

❖

Spending on oil production is dangerously low. The US has not built a new oil refinery since 1976. The number of rigs exploring for oil in the United States dropped from 4,530 in 1982 to 1,251 in 2004. With limited exploration, no major oil field has been discovered in the world for about 30 years. *(SOURCE: BottomLine Personal)*

❖

Europe leads the world in wind power, with almost 35,000 megawatts, equivalent to 35 large coal-fired power plants. North America is a distant second, with just over 7,000 megawatts. Wind is currently the biggest success story in renewable energy. *(SOURCE: National Geographic)*

❖

Many long-time oil fields are now running dry. US production peaked in the early 1970s, while North Sea production (in Norway and the United Kingdom) has been declining since 1999. *(SOURCE: BottomLine Personal)*

❖

For 25 years, the United Kingdom was a big oil exporter, but it will be forced to import oil in the next decade. Many long-time oil fields are now running dry. US production peaked in the early 1970s, while North Sea production (in Norway and the United Kingdom) has been declining since 1999.

❖

Powering all the world's vehicles with biofuels would mean doubling the amount of land devoted to farming. *(SOURCE: National Geographic)*

❖

After crude oil is removed from the ground, it is sent to a refinery by pipeline, ship or barge. At a refinery, different parts of the crude oil are separated into useable petroleum products. Crude oil is measured in barrels (abbreviated "bbls"). A 42-U.S. gallon barrel of crude oil provides slightly more than 44 gallons of petroleum products. This gain from processing the crude oil is similar to what happens to popcorn, it gets bigger after it is popped. *(SOURCE: Energy Information Administration)*

❖

The amount of crude oil produced (domestically) in the United States has been getting smaller each year. However, the use of products made from crude oil has been growing, making it necessary to bring more oil from other countries. About 58 percent of the crude oil and petroleum products used in the United States comes from other countries. *(SOURCE: Energy Information Administration)*

Brazil Increases Ethanol Use

According to the *Wall Street Journal*, Brazil is using large amounts of sugar-based ethanol fuel in cars and trucks as it attempts to reduce its dependence on foreign fuel imports. With current prices, the country, South America's most populous, can make ethanol for about $1 a gallon, compared with about $1.50 for gasoline, the paper reported. Ethanol now contributes about 20% of Brazil's fuel market, and Brazil's exports of ethanol may double to $1.3 billion by 2010, due largely to exports to Japan and Sweden.

SOURCE: Wall Street Journal

Shoppers May Take A Break

Higher energy costs and a slowing housing market are the two key factors that will pressure US consumers to retrench spending in 2006, causing a slowdown in overall retail sales growth, according to the National Retail Federation's annual industry forecast released in January.

The NRF expects retail sales, excluding autos, gasoline and restaurants, will increase 4.7% from last year, much softer than last year's 6.1% gain.

In its quarterly *Retail Sales Outlook Report*, the group cited tough comparisons, rising energy costs and a slowdown in the housing market for this year's subdued outlook.

SOURCE: CNNMoney.com

World Oil Facts

Reserves (millions of barrels as of Jan. 1, 2002): Top 20 countries	**Production (millions of barrels per day): Top 20 countries**	**Consumption (Millions of barrels per day): Top 20 countries**
Saudi Arabia: 261,750	Saudi Arabia: 8.528	United States: 19.993
Iraq: 112,500	United States: 8.091	Japan: 5.423
United Arab Emirates: 97,800	Russia: 7.014	China: 4.854
Kuwait: 96,500	Iran: 3.775	Germany: 2.814
Iran: 89,700	Mexico: 3.560	Russia: 2.531
Venezuela: 77,685	Norway: 3.408	South Korea: 2.126
Russia: 48,573	China: 3.297	Brazil: 2.123
Libya: 29,500	Venezuela: 3.137	Canada: 2.048
Mexico: 26,941	Canada: 2.749	France: 2.040
Nigeria: 24,000	United Arab Emirates: 2.550	India: 2.011
China: 24,000	United Kingdom: 2.540	Mexico: 1.932
United States: 22,045	Iraq: 2.377	Italy: 1.881
Qatar: 15,207	Nigeria: 2.223	United Kingdom: 1.699
Norway: 9,947	Kuwait: 1.838	Spain: 1.465
Algeria: 9,200	Brazil: 1.589	SaudiArabia: 1.415
Brazil: 8,465	Algeria: 1.486	Iran: 1.109
Oman: 5,506	Libya: 1.427	Indonesia: 1.063
Kazakhstan: 5,417	Indonesia: 1.384	Netherlands: .881
Angola: 5,412	Oman: .964	Australia: .879
Indonesia: 5,000	Argentina: 825	Taiwan: .846
First 20 Countries: 975,148	First 20 countries: 62.762	First 20 Countries: 59.134
Rest of the World: 56,983	Rest of the World: 12.464	Rest of the World: 16.854
World Total: 1,032,132	World Total: 75.226	World Total: 75.988
	World Annual: 28,180	World Annual: 28,460

Note: The estimation of reserves is fraught with politics and guesswork. The two annual industry benchmarks are compiled by *World Oil and Oil and Cas Journal* largely from data provided by individual countries. Both outfits have placed "proven" global reserves at about 1 t□
barrels.

It's suspected that many OPEC countries pump-up their estimated reserves because their production quotas are based on the size of the reserves. In 1988 and 1990, many Middle Eastern countries revised their reserves upwards dramatically despite no major new discoveries. From 1986 to 1990, according to data from *World Oil and Oil and Gas Journal*, global reserves increased a staggering 39 percent from 708 billion barrels to 983 billion barrels.

From: **www.eni.it/english/notizie/analisi/numeri energia/index. html**

Running on Empty

By Paul Page

Shippers across a range of industries say the latest drive of diesel fuel prices to record levels is washing away their attempts to rein in transportation costs, leading many to seek new strategies in the face of rising surcharges and tough choices in their supply chains.

The renewed attempts to meet the skyrocketing fuel costs include more detailed examination of shipper-carrier pricing on a lane-by-lane basis to broader looks by both transport operators and shippers at the very structure of fuel surcharges, now an entrenched and important part of transport pricing structures across modes.

"We're looking at every area of our shipping that we can," said Tracy Ann Whelan, corporate traffic manager at Esco, a Portland, Ore.-based industrial goods manufacturer. "But what you can't do is change your shipping patterns."

But Whelan and other shippers also say they have wrung most of the benefits possible out of strategies they have used to meet fuel costs that have soared in recent months. A 5.1-cent decline in the national average price of diesel fuel in September still left the price at nearly $2.85 per gallon, about 50% higher than the price in September 2004.

The average price for diesel in California hit $3.25 a gallon in September before backing down 9.2 cents a couple of weeks later. Yellow Roadway's surcharge on LTL shipments, 10.4% in early 2005, hit 19.8% in September and air forwarders and airlines said rising fuel surcharges were leading shippers away from more expensive air transport.

"Some charges are greater than freight rates right now," said John Hextall, president for Europe, the Middle East, and North America at forwarder UTi Worldwide.

Chris Lofgren, president and CEO of truckload carrier Schneider National, said fuel threatens to surpass labor as trucking's highest cost.

"These costs are coming into industry at a record pace," he said. "When you talk about fuel surcharge, it doesn't cover 100 percent of the miles. When you start to see fuel continue to go up, and that's a cost that isn't recovered, it's substantial."

But shippers say they are the ones bearing those costs. "Obviously, we're feeling the pain and the brunt of fuel [prices]," said Michael Cress, director of supply-chain operations for Payless ShoeSource.

The rising fuel costs are grabbing the attention of senior management as transportation appears to make up a growing portion of supply chain spending.

Shippers have begun to look at fuel costs as part of the range of costs they, and their carriers, face in the supply chain.

"There is no such thing as a backhaul lane anymore," said a shipper who is looking at shipping lanes in both directions to solve rising costs. "If a carrier wants a price increase because they're not making money on a particular lane, let's take a look at the lanes where they are making money and talk about those."

Transportation costs are rising so much in some areas that companies are shifting some manufacturing and sourcing decisions to get goods close to their final delivery point. However, most shippers have already done what they can with consolidating loads and load-matching with shippers on traditional backhaul lanes.

This is why some companies are changing the way they calculate fuel surcharges in order to better forecast pricing in a volatile energy market. For some shippers, that's one sign that the skyrocketing surcharges may open up larger issues of how carriers pass costs along to shippers.

"Fuel is putting the 'historical' pricing models for the carriers with labor as the No. 1 cost on its head," said Mark M. Capofari, logistics director of pharmaceutical maker Merck. "As the airlines tackle their labor issues, what are they doing aggressively about fuel other than passing it on to their customer?"

Another shipper said there could be a restructuring of cost-price relations between shippers and their carriers, leading to "true open cost" decisions.

With fuel making up a large part of their cost structure, many truckers say they are responding by economizing within their operations as much as possible and looking for larger changes.

The American Trucking Associations asked Energy Secretary Samuel Bodman to direct the Energy Information Administration (EIA) to report fuel prices twice weekly to provide the trucking industry with more accurate pricing while fuel price volatility persists. ATA said motor carriers would spend an unprecedented $85 billion on fuel in 2005, $23 billion more than in 2004. The industry uses 35 billion gallons of diesel annually.

ATA President and CEO Bill Graves said, "Rapid escalation in the price of diesel fuel, like we've seen in 2005, is devastating to the trucking industry and will result in failures, lower capital investment, and negative employment trends. "The trucking industry is primarily a small-business industry with relatively slim profit margins yet is the backbone of the US economy."

The carriers say something needs to give at the pump.

Fuel surcharges are not only inadequate in terms of making up the shortfalls, but are extremely complicated to administer. When the new EIA indexes are issued each Monday, some companies have to recalculate up to hundreds of fuel surcharges that are managed for different customers. Nevertheless, surcharges do not solve what remains a major cost problem for the trucking industry.

ATA Chairman Steve Williams said, "I think it's incumbent on the shipping community to understand how fragile the trucking industry is. Much like the outcry from the owner-operator community, there's an awful lot of carriers that have the very same argument. Even though they have fuel surcharges, many of those are not adequate. When fuel goes up, they're always behind recovering the cost of fuel."

Williams says more coordination with shippers is needed, including greater load-matching and other methods of making operations more efficient. That coordination, he says, has been hamstrung by cost-cutting trends in logistics departments. Shippers who invest in technology do a better job of getting the right loads on the right trucks at the right time and are reinvesting in professional traffic managers who had been eliminated from organizations as unnecessary overhead.

Experts say shippers will have to address the rising fuel costs by taking a close look at how they manage their supply chains. One noted that shippers should be expanding the number of carriers with whom they do business and try to match their freight to their line capacity by looking at where the carriers are really needing freight.

SOURCE: Traffic World

'Retooling' Fuel Surcharges

By Bill Carey

Rising fuel costs are leading motor carriers to rethink how they levy fuel surcharges and consider retooling their surcharge agreements with shippers. **Old methods of assessing surcharges, based on rolling average fuel prices over several weeks, are inadequate to recapture fuel costs quickly in the current volatile market.**

Dallas-based Dynamex said expenses associated with a route restructuring effort, boosting its sales force and adjusting the commissions it pays independent drivers to cover fuel prices curbed profits in 2005.

Other carriers also reported that they were recovering less of their fuel costs than usual. Spiking fuel prices in August and September 2005, especially following Hurricane Katrina, forced companies to absorb more of the increases.

Logistics consultant Wayne Bourne, president of the Bourne Management Group, expects more truckers to restructure their fuel surcharges as costs rise.

Many carriers are dropping the increments used to determine when surcharges kick in, he said. For example, if a surcharge increased a penny every time the price of fuel rose 6 cents, that number is being cut to 4 cents.

The next step may be "fractionalization," he said. "Let's say we're at $2.86 a gallon and we have a 4-cent increment: if it goes up 1 cent, I get a quarter of a penny. That way, you don't wait for it to go up four cents before the surcharge kicks in."

SOURCE: Traffic World

China an Oil Exporter?

High global oil prices have been blamed in part on voracious demand from China's booming economy, but China is turning around and re-exporting many of those imports, according to Richard Martin, managing director of IMA Asia, a Sidney-Australia-based consulting firm. The problem lies in the inherent conflict between the semi-privatization of state oil companies Sinopec and PetroChina, and the imposition of stiff domestic price caps.

In his September forecast, Martin said those companies are exporting their petroleum products because Beijing provides a tax rebate on exports of naphtha and gasoline, while imposing domestic price caps on those products (domestic fuel prices rose only 15% in 2005, while oil prices jumped 60%). **The result is that China's refiners are importing plenty of crude, refining it and selling it overseas rather than selling it at a loss in the domestic market.**

SOURCE: The Journal of Commerce

Whales, Milk, Oil and Hawaii

By Marilyn R. Sargent

When crude oil was first transported in the Eastern United States in the 1800s, wine barrels were used to move the oil from source to end user. Wine barrels held 48 gallons (182 liters), but due to some slippage, customers were only charged for 42 gallons (159 liters). In the United States, oil figures are quoted in "barrels." Transportation has improved significantly and today, a barrel has come to truly represent 42 gallons (159 liters) of crude oil. Table I shows the products derived from a barrel of oil.

Petrochemicals: An essential part of our everyday lives

Just as milk is a commodity that can be rendered into a variety of products of differing value such as cream, butter, cheese, yogurt, evaporated milk, condensed milk, powdered milk, cottage cream and sour cream, oil is also a commodity that is rendered into a variety of products that make our lives easier. Our industry certainly uses our share of diesel and gasoline in our equipment; however, many more of the products we use are made with petrochemicals as a key ingredient. The ink and dyes on our stencils, boxes, forms and computer printouts, the computers we use, various types of bubble wrap and other packing material, tape and DVD's are just a few of these products. As you sit here reading this article, you may be wearing clothing with zippers, socks or nylons and eyeglasses that are all made from petrochemicals. Table II, on the following page, contains a list of many of the items made with petrochemicals.

Table I: What a Barrel of Crude Oil Makes

Product	Gallons per Barrel	Liters per Barrel
Gasoline	19.4	73.4
Distillate fuel oil (Includes both home heating oil and diesel fuel)	9.7	36.7
Kerosene-type jet fuel	4.3	16.3
Coke	2.0	7.6
Residual fuel oil (Heavy oils used as fuels in industry, marine transportation and for electric power generation)	1.9	7.2
Liquefied refinery gases	1.9	7.2
Still gas	1.8	6.8
Asphalt and road oil	1.4	5.7
Petrochemical feedstocks	1.1	4.2
Lubricants	0.5	1.9
Kerosene	0.2	0.8
Other	0.4	1.5

Figures are based on average yields for US refineries in 2000. One barrel contains 42 gallons (159 liters) of crude oil.

The total volume of products made is 2.6 gallons (9.8 liters) greater than the original 42 gallons (159 liters) of crude oil. This represents "processing gain."

SOURCE: American Petroleum Institute

Hawaii: Geographical location and historical significance

Today most people have no idea how interdependent our lives are on oil. This holds true no matter where you live on the globe, including Hawaii. Hawaii lies in the tropics of the Pacific Ocean approximately 2500 miles (4,100 kilometers) southwest of Los Angel,es and 3,900 miles (6,200 kilometers) southeast of Tokyo. Its geographic location heavily influenced its history and will continue to have a major impact on its opportunities and challenges in the future.

In the 19th century, Hawaii served as the crossroads for many of the whaling fleets in search of drinking water, provisions and a place to winter. Whale oil remained the dominant indoor lighting source for the world until the 1840s. At that time, so many whales had been killed that they became scarce. Due to its scarcity, whale oil became so expensive that efforts intensified to find a replacement. The invention of the kerosene lamp in 1854 probably did more to save the whales from extinction than any other efforts since.

Around this time in the continental United States in an area known as Oil Creek, Pennsylvania, entrepreneurs built dams to make oil float to the water's surface. They threw blankets in the water, let them soak up oil and would wring out the blankets to extract the oil. This oil sold for $2.00 per gallon and was distilled to produce kerosene. The distillation of kerosene from crude oil yielded waste byproducts, primarily gasoline. With the invention of the internal combustion engine and automobiles, gasoline usage became widespread.

As the Hawaii's economy suffered from a decline in the revenue brought in by the whale fleets, sugar and pineapple production rose to become the dominant economic forces for the next century. Since sugar and pineapple production were very labor intensive, the plantations recruited over 400,000 workers, primarily from Asia, to work the fields. The number of workers needed to work the fields was greatly reduced and productivity was greatly enhanced when equipment powered by gasoline and diesel engines were introduced.

Table II: Petrochemicals Are a Vital Part of the Following Products

Antihistamines	Dyes	Pantyhose
Antiseptics	Eyeglass frames	Patio screens
Artificial hearts	Fertilizers	Perfumes
Aspirin	Food preservatives	Photographic film
Audiocassettes	Food storage bags	Photographs
Baby strollers	Footballs	Piano keys
Balloons	Foul weather gear	Roller blades
Bandages	Furniture	Roofing
Blenders	Garbage bags	Safety glass
Cameras	Glue	Shampoo
Candles	Golf balls	Shaving cream
CD players	Hair dryers	Shower curtains
Clothing	Hang gliders	Slippers
Compact discs	Heart valve replacements	Soft contact lenses
Computers	House paint	Sunglasses
Containers	Infant seats	Surfboards
Crayons	Ink	Surgical equipment
Credit cards	Insecticides	Syringes
Dentures	Life jackets	Telephones
Deodorant	Lipstick	Tents
Diapers	Luggage	Toothpaste
Digital clocks	Medical equipment	Toys
Dinnerware	Nylon rope	Umbrellas
DVDs	Pacemakers	Vitamin capsules

SOURCE: American Petroleum Institute

Further refining of oil yielded many new petrochemical products including fertilizers and pesticides used throughout the world. In the 1950s these enhancements enabled Hawaii to supply over 75% of the world's pineapple; mostly canned.

Hawaii today

Approximately 1.2 million people populate the six major islands of Hawaii, making it the 42nd most populous state in the United States. Honolulu, the state capital, is the United States' 11th largest metropolitan area. From east to west, Hawaii is the widest state and it contains the most southernmost point in the United States.

Today, sugar and pineapple production are being phased out in Hawaii as cheaper land and labor in other countries have rendered mass production in Hawaii to be too expensive. Renewable energy use in Hawaii has declined by two-thirds since 1990 due to the loss of biomass-generated electricity provided by the now closed sugar factories.

The economy and our energy vulnerability

Today, the three largest sectors of the economy in Hawaii are tourism, government and military. There is great concern regarding an oil spill in Hawaiian waters. Many steps have been taken to minimize the likelihood or impact of a large oil spill. The fact remains that every shipment carries some risk. The impact on tourism, our most important economic sector, could be extremely severe.

Hawaii depends on imported oil for 100% of our transportation energy needs. About 62% of Hawaii's transportation fuel demand is for aviation uses. Hawaii ranks 18th out of the 50 states in the United States for consumption of jet fuel to supply the transportation industry. A rise in airfares due to high fuel costs risks jeopardizing a recovery in Hawaii tourism, which only recently returned to the visitor levels it enjoyed before the 9/11/2001 terrorist attacks.

The rest of the transportation fuel demand is for ground (30%) and marine transportation (8%). Shipping companies bring in 98% of all goods sold in Hawaii. Higher costs of transportation fuels will add to price pressures, especially here in Hawaii, as we import 80% of our food.

Almost all electricity in Hawaii is generated by coal and oil. Due to our geography, the islands' electricity grids are not interconnected. The cost of energy in Hawaii jumped by 19% between 2002 and 2003 principally due to higher oil prices. As a result, Hawaii residents pay among the nation's highest costs for electricity. On the bright side, due to our mild tropical climate, more that 44% of Hawaiian homes have no heat source. However, most homes have single pane windows and no insulation resulting in inefficient cooling with air conditioning.

No other state is as dependent upon a single energy source for it residential and commercial electricity, industrial power and transportation fuels. Since we depend so heavily on oil, Hawaii's energy vulnerability or energy security is extremely high due to the impact that an oil embargo, supply disruption or other energy emergency would have on our economy.

The impact of oil on the local removals industry

As a moving company, Aloha International Moving Services, Inc., has been impacted by the increasing cost of oil as much as by our competitors in Hawaii. The majority of moving companies in Hawaii differ from our Mainland counterparts in that not only do we provide origin and destination services, but we also function as port agents, linehaul truckers, and freight forwarders. This results in four cost centers that are affected by higher fuel prices. It costs about $3,500 to ship a truck from the Mainland to Hawaii. Due to this high cost, equipment is used longer in Hawaii than it traditionally is on the Mainland. It is not unusual to see most businesses in Hawaii using trucks and forklifts that are 20-plus years old versus the newer, more fuel-efficient models.

This past summer we experienced fuel surcharges as high as 21% on shipments transiting on Mainland trucks. This is on top of the current 15% fuel surcharges assessed by the ocean shipping companies that service Hawaii. Although we counsel them in advance, many of our customers are shocked to learn how much more fuel surcharges add to the cost of their move

Where our oil comes from

Nearly 89% of the state's primary energy is generated from petroleum imported from Alaska, the Middle East, Australia, and Southeast Asia. (See Table III for information on the movement of petroleum to Hawaii.)

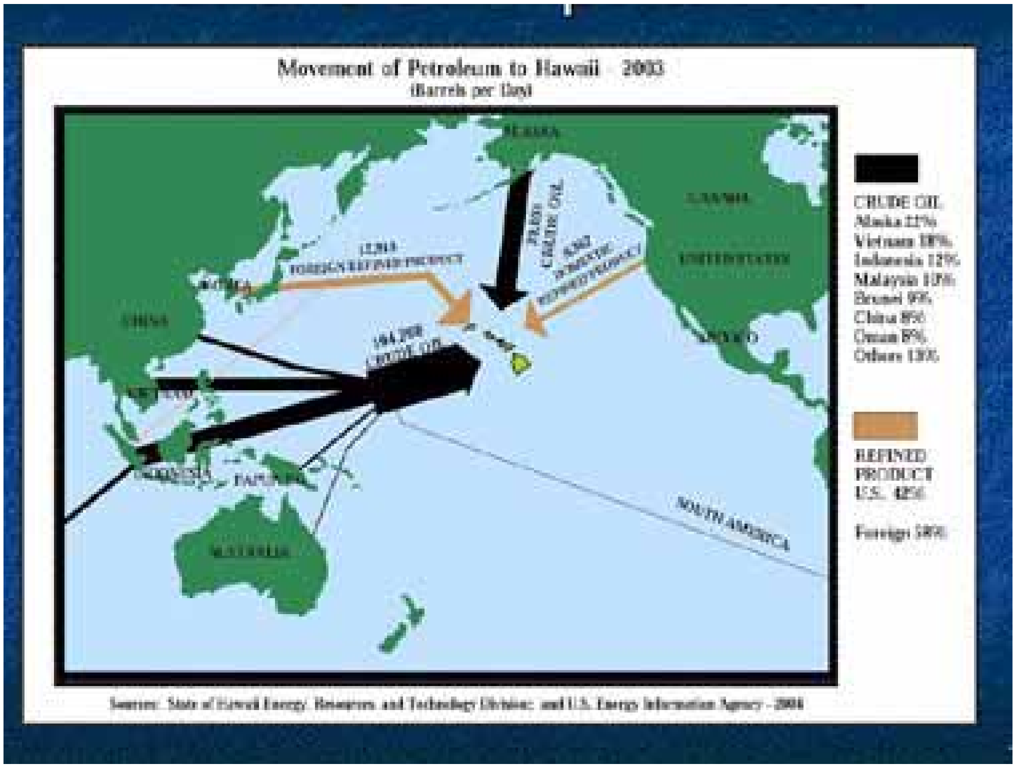
Other energy resources

Hawaii has no oil, coal or natural gas of its own, but it does have a number of renewable resources, including solar, wind, biomass, geothermal heat (volcano), and ocean thermal energy conversion. Some Hawaiians have expressed objections to tapping into geothermal heat in the rain forest and disturbing Pele, the Hawaiian goddess of fire. (See Table IV for the different sources of energy in Hawaii.)

State efforts to control the price of fuel in Hawaii

Due to a combination of our geographically remote location and the highest gas taxes in the United States (57.6 cents per gallon), people in the Aloha State pay more for gasoline than anywhere else in the country. The residents of Hawaii, not pleased with the increasing cost of energy, demanded a solution from our local legislators. On Sept. 1, 2005, a new law took effect allowing the state Public Utilities Commission to set a maximum wholesale price for gasoline in Hawaii, based on the weekly average of spot prices in Los Angeles, New York and the US Gulf Coast. The law does not put a cap on retail

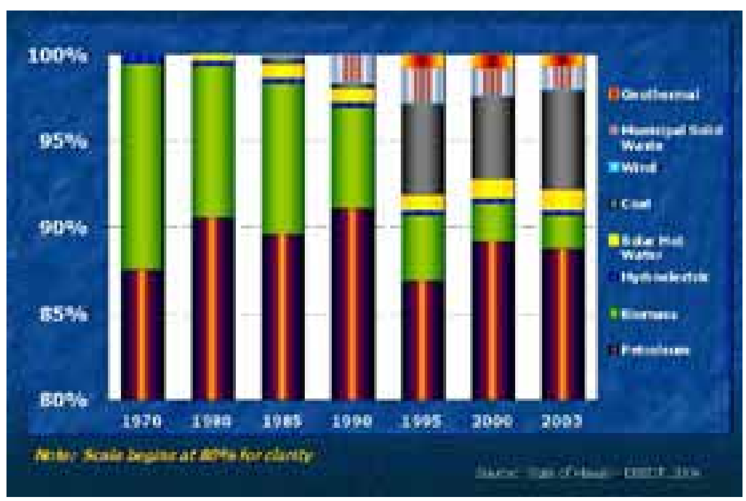
Table III: Hawaii's Oil Imports 2003



prices. The law was intended to force Hawaii's two refiners to set their wholesale prices closer to mainland rates. Proponents of the law said the refiners were taking advantage of the isolated market to charge exorbitant prices. On Sept. 13, 2005, gasoline reached an all-time high of $3.79 per gallon. It has recently dropped to $2.83 per gallon.

But industry officials and analysts say Hawaii now runs the risk of becoming less attractive to suppliers, raising the possibility of shortages down the road. Although the effects of the price controls in Hawaii remain to be seen, other states are watching and considering similar responses.

Table IV: Hawaii's Primary Energy Consumption by Resource 1970–2003

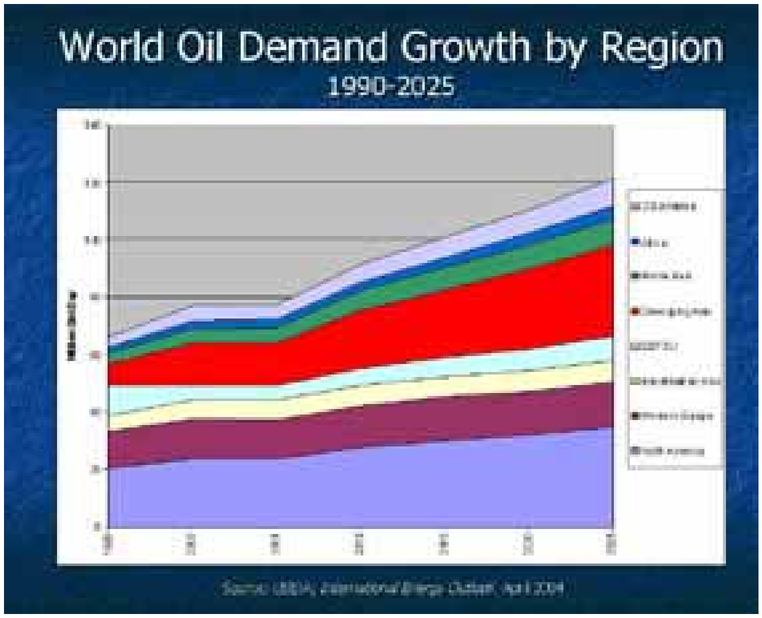


Efforts to reduce our energy vulnerability

Where is this all going? The governor has mandated that 20% of Hawaii's electricity is to be generated from renewable resources by the end of 2020. This encompasses electricity produced by wind, solar, hydropower, municipal wastes, geothermal, ocean thermal, wave energy, biomass and fuels such as hydrogen, alcohol or biodiesel. A hydrogen fuel cell production facility is currently in the planning stages.

Beginning in April 2006, new regulations call for at least 85% of Hawaii's gasoline to contain 10% ethanol. It is estimated that 40 million gallons (151 million liters) per year will be required to meet this regulation, but studies indicate Hawaii has the potential to produce over 90 million gallons (341 million liters) per year in the near term and 400 million gallons (1,514 million liters) per year in the future. Its cost effectiveness has yet to be determined.

Table V: World Demand Growth by Region



Oil is a finite commodity and demands for its use are continuing to escalate. (See Table V for more information on world oil demand growth to the year 2025.) More than likely, it will continue to become a larger part of our overall cost of living and production.

There are many conservation measures that can be taken to use oil is a more efficient manner. Most opportunities for energy efficiency and fuel substitution in aviation and marine transportation sectors are beyond the control or influence of anyone in Hawaii. There are many opportunities, however, in the ground transportation sector.

Other opportunities exist as old appliances are replaced by newer, more energy-efficient models. Stricter building codes with stronger energy efficiency requirements could do a lot to reduce demand for electricity in Hawaii. Small decisions such as the breeze-through design, the color of our roofs, and external siding could bring about significant energy savings.

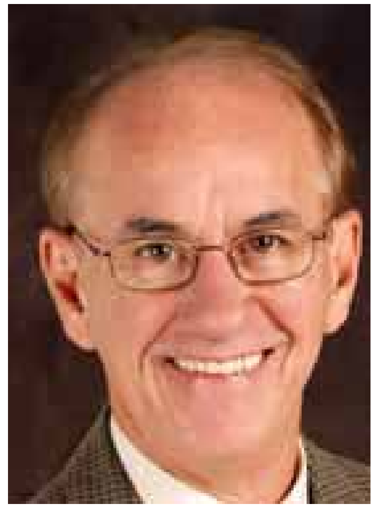
The marketplace will likely bring about significant conservation as the price of energy increases and people and businesses react. Already fast-food retailers have indicated a drop in sales as the cost of gas rose significantly and income moved from disposable purchasing decisions to pay for the increased cost of energy.

We will all be faced with many decisions far into the future as this process unfolds. But just as the whale oil was replaced by kerosene, we all hold hope for the promise of technology in solving this problem.

Marilyn R. Sargent is president of Aloha International Moving Services, Inc., and serves as HHGFAA's AMMB Representative for Hawaii, Guam, and American Samoa.

Editor's note: This is the first in a series of articles that will be produced for **The Portal** by members of the Association's Associate Members Management Board. The March/April issue of the magazine will focus on outsourcing.

Yogesh Thakker



Edward T. Wickman

New AMMB Members Named

HHGFAA recently announced the appointment of two new members of the Associate Members Management Board. AMMB members serve an essential role in the Association, as they represent, within their individual assignments, the Associate Membership on all pertinent matters and perform other duties as the Associate Members Representative may require.

Yogesh Thakker, a 19-year veteran of the international moving industry, represents the Middle East/Africa region. He started his career in the family's moving business after graduating from Mumbai University with a degree in Commerce.

Along with gaining work experience, he simultaneously completed his LLB (a 3-year law degree) from Government Law College in Mumbai. He also holds a master's degree in marketing management from Jamnalal Bajaj Institute of Management Studies; he hopes to complete his doctorate sometime in the future.

In the workplace, he has rapidly grown his business. What started out as Thakker & Sons Movers Private Limited was transformed into an extremely successful company that is known today all over the world as **21st Century Relocations**. It is considered one of the leading international moving and relocations service providers in India.

Yogi (as he is affectionately called by his friends in the moving industry) has been quick to implement at his company several best practices that are followed by international movers around the world. His emphasis on training ensures that the crew and the office employees have up-to-date knowledge of developments worldwide.

Thakker has traveled extensively around the globe and enjoys meeting with agents abroad and studying their working methods, including the systems in place an the world's top ports. In India, too, he is committed to training. He is an experienced trainer, having completed a 10-day residential course in freight forwarding organized under the United Nations—Economic and Social Commission for Asia Pacific (UN-ESCAP) and has been advancing training in various courses conducted by local freight forwarding and customs clearance associations.

He is also a trainer in the newly established Indian Institute of Freight Forwarding (IIFF) set up by Federation of Freight Forwarders Association of India (FFFAI) and the course is recognized and validated by FIATA, the worldwide body of freight forwarders.

Among other affiliations, Yogesh Thakker serves on the Shipping, Transport and Logistics Committee of the Bombay Chamber of Commerce & Industry and the Shipping & Transport Committee of the Indian Merchants Chamber. He is the co-chairman of the Household Goods/Unaccompanied Baggage Committee of the Bombay Customs House Agents Association. He was also on the Conference Advisory Board of "Logistics World 2006," an event held in Mumbai in January 2006.

Edward T. Wickman will represent HHGFAA members in the United States and Eastern Canada. Wickman is the president of **Wickman Worldwide Services, Inc.**, which was established in 1997 as a company dedicated to international household goods forwarding. The company was founded based on Wickman's previous experience in the industry and transportation.

Shortly after completing 4 years of military service with the United States Air Force, he spent several years with the railroad in various capacities before taking a position with a large IATA company to handle general cargo air freight operations. Then for 9 years he opened branches for air/sea forwarding and performed sales and operations in five different states. He acquired the contract with the Military Industrial Organization of Iran and personally supervised the monthly air charter operations to and from Shiraz, Iran.

After the fall of the Shah of Iran, Wickman worked in project management for cargo operations awarded in the Kingdom of Saudi Arabia and Egypt before taking a position with United Van Lines in their international operations. He spent a decade with United in four different management roles at its international headquarters office. He then accepted a position with Atlas Van Lines International as the director of international sales and marketing and held that position for 5 years prior to that division being moved to Seattle. At that time Wickman resigned and formed Wickman Worldwide Services, Inc.

Ed's wife, Kathy, encouraged him to take the position with the IATA company more than 30 years ago. Their daughter, Christina, was at the office on day one and now heads up the operations at their company. Their son, Matthew, was also instrumental in forming the company and worked for 3 years before moving to St. Louis to complete his MBA. ■

Jeffrey Coleman Named to HHGFAA Executive Committee

The Executive Committee has selected Jeffrey Coleman, president of Covan International, Inc., as an interim Active Member At Large on the HHGFAA Executive Committee, replacing Michael Cobb of American Red Ball International, who stepped down from the Executive Committee following his recent resignation from his employer.

Coleman's appointment is effective immediately and he will serve out the remainder of Cobb's term, until the next Active Member elections are held in October during the 2006 Annual Meeting in San Francisco, Calif.

The Committee selected Coleman after considering a number of qualified individuals among the Active Membership. The Committee felt that the circumstances and issues currently being addressed by HHGFAA warranted bringing onto the Committee someone with knowledge and experience, as well as a historical perspective, which Coleman has gained through his past service as a member of the Committee and as past HHGFAA Chairman.

Coleman, whose earlier service on the HHGFAA Board began in 1993, was elected chairman in 2000; over the years he has served on several HHGFAA committees. In 1999–2001, he was chairman of the International Shipping Association. Working at his family business, headquartered in Dothan, Ala., provided experience in international and domestic freight forwarding, van line services, and moving and storage agency management.

Carriers Want Certainty in C-TPAT Changes

The 2002-vintage Customs-Trade Partnership Against Terrorism is going through an upgrade —no news there. Customs and Border Protection issued new criteria for importers nearly a year ago; now it's the carriers' turn. Last October, the agency began circulating proposed revisions in the C-TPAT program for motor carriers, followed by ocean carriers a month later.

Customs should finish drafting new criteria by the end of the month. Officials declined to discuss them until they are complete, but trucking and ocean executives believe the final criteria will be something they can live with.

While the details are not finished, it's likely that C-TPAT for carriers will follow the same pattern that the revised importer criteria did last year: taking the best supply-chain security practices and making them the minimum that the trade industry should meet to be certified as a participant. The more an importer exceeds the minimum, the greater the benefits it derives, in a lower rate of security inspections for the company's imported containers.

There are still differences between C-TPAT criteria for importers and carriers. Unlike importers, carriers must meet standards for other security programs. Ocean carriers have the International Ship and Port Facility Security Code. To get the benefits of expedited treatment at the land borders, carriers must qualify themselves and drivers for the Free and Secure Trade Program. One industry official said Customs' first draft for carrier C-TPAT looked like the importer criteria, with "carrier" substituted for "importer."

"They were talking about the carrier supply chain. What supply chain?" said Chris Koch, president of the World Shipping Council, which represents ship lines. "Carriers don't have the supply chain; it's the importers who have the supply chain. We asked, 'What are you looking for from the carrier?' That's what we wanted to get clear on, so there's no ambiguity." Koch said Customs originally wanted carriers to submit their vessel stowage plans, known as United Nations standard BAPLIE messages. Carriers doubted the practicality of overloading Customs' systems with thousands of BAPLIEs, but agreed that vessels would submit them if Customs asked for them.

"The main issue was vessel accountability," said Bill Ferguson, director of security for NYK Line. Ships have been responsible for their cargoes since ancient times, but modern shipping is a complicated business. Who's responsible if a container is booked aboard by a non-vessel-operating common carrier, or under a slot-charter agreement with another carrier? NYK has firsthand recollections:

In January 2005, immigration officials in Los Angeles intercepted a container onboard an NYK ship that held 32 Asian stowaways. NYK paid a fine, but said the container had been booked by another carrier.

After negotiating with Customs, carriers are confident that the new C-TPAT requirements will say carriers must "exercise prudent oversight" of their cargo. The original requirement said carriers had the "ultimate responsibility" for the cargo onboard ship. Customs still wants to make the carrier accountable, but officials want a problem fixed, Ferguson said; they don't want to have to track the problem back along the supply chain.

The original C-TPAT for the trucking industry was a good start, but carriers saw that it needed improvements, said Martin Rojas, executive director of safety, security and operations for the American Trucking Associations. The biggest problem was making C-TPAT work for less-than-truckload carriers — it was difficult to verify supply chains when a truck may be picking up several shipments from many shippers.

"The original C-TPAT was never a perfect program from an operational perspective for certain segments of the industry, particularly the LTL," Rojas said. He said he's optimistic that the new requirements will be a better fit.

"I think CBP has been very good about working and communicating with the industry to make sure our concerns are being aired."

But some notable roadblocks remain. Along the border with Mexico, carriers can't be C-TPAT members, because the companies never send a truck across the border. The border industry has developed an elaborate drayage system, particularly in Laredo, Texas, where third parties shuttle trailers between yards in Mexico and the United States.

"The long-haul carriers on the Mexican and US side can't really participate in C-TPAT," Rojas said. "That system has not really changed. We've been working for many years trying to improve the flow of trucks across the border for long-haul carriers." Drayage companies traditionally have had close associations with Mexican customs brokers, but Rojas said shippers large enough to exercise market power, and the larger trucking companies, have been able to break down the system somewhat. A large shipper can tell the broker which drayage company to use. Some carriers have set up subsidiaries to do the drayage work.

"In summary, it works OK, but for the large majority of trucking companies, that's still not the case," Rojas said. Mexican shippers are asking truckers to become C-TPAT-certified for carrying cargo within the country. That's a difficult request to honor if the carrier isn't crossing the US border. That problem will be solved if the United States ever allows Mexican companies beyond the 20-mile border zone, which was called for under the North

American Free Trade Agreement.

Rojas said C-TPAT requirements for seals on trailers have been a problem. “One of the things that were an importer requirement that became a trucking requirement was the seals. The shipper would have to seal the truck. The question is who is really in charge of keeping track of the seal?” Ultimately, responsibility for the seals may fall to the driver to track and record, especially if the truck is making multiple pickups from C-TPAT and non-C-TPAT companies alike.

While truckers are confident that they can work out equitable C-TPAT criteria, Rojas is concerned that any effort by Customs’ C-TPAT office will get bogged down in the approval process at Customs and the Department of Homeland Security. The comment has become more common. DHS has been exercising greater central authority over its subordinates, to ensure that policies are consistent and meet the department’s strategic goals. Critics complain that the process had concentrated too much decision-making within the secretary’s office, and it takes too long for lower-priority initiatives to get executives’ attention.

What’s critical for truckers in providing information through C-TPAT, and in complying with Customs’ advance cargo manifest reporting regulations, is that they begin to see some benefit for their efforts, Rojas said. He said it’s essential that Customs link C-TPAT requirements with the Automated Commercial Environment, its new advanced computer system.

“The information flow is essential, so they’re able to do their targeting, but once they do that, and we’re all good to go, how do we improve the flow of commerce?” Rojas said. Land ports don’t need just booths to clear FAST trucks, but they need lanes that go back miles so qualified trucks don’t get mired in traffic. Southern infrastructure is a little ahead of the north — it already has bridges dedicated to truck-only traffic — but more needs to be done on both borders.

“How do we ensure that we get more of the FAST lanes up and running? We are Customs’ partners, we want to work with them on this, but we need to accelerate the incentives and the benefits to the carriers. That’s a critical issue,” Rojas said. It’s not likely that truckers will abandon cross-border service because of C-TPAT, but without the incentives, more will begin to think it’s not worth the effort.

“They should be able to cross the border in a more expedited manner,” he said. “Once truckers have gone through C-TPAT, and the importer has the approval from CBP, and we have all the information flowing through ACE, it should be a boom-boom-boom process. We should be able to cross the border without even stopping.”

SOURCE: Pacific Shipper

Industry Pursues Standard for Electronic Container Seals

Representatives of shipping lines, terminal operators, and technology companies met in London recently to hammer out what they hope will become an International organization for Standardization standard for electronic container seals. An e-seal would transmit a signal to indicate if it had been broken, so the standard must cover six critical factors, including what radio frequency the device would use. E-seal technology would not be as smart as “smart container” sensor packages, but carriers think the technology would be sufficient to satisfy new US rules on container seals. The industry has yet to see the Department of Homeland Security’s proposal, but it’s likely to include a provision that seal integrity will have to be tracked as a container passes along the supply chain. An e-seal that announces when it has been compromised would make the process easier.

SOURCE: The Journal of Commerce

New Security Technology Tested at Intermodal Facilities:

Innovative American Technology Inc. (IAT) has announced that its Chemical, Biological, Radiation, Nuclear and Explosives (I-CBRNE) sensor system has completed its first round of field-testing at an intermodal center for railway, air-cargo and trucking container inspection using the radiation sensors and a mobile command center.

The radiation sensor sub-system is called the Radiation Threat Identification System (RTIS) which can be applied on the gantry crane arm at seaports and intermodal facilities to enable 100% inspection of shipping containers without impact to the flow of goods.

The I-CBRNE system is designed for deployment in homeland security, military and commercial applications and can be deployed for the protection of strategic positions such as seaports, cargo containers, airports, subways, railways, cities and critical infrastructure and other areas to allow for direct comparison to manifest data. The RTIS is scheduled for continued field-testing and demonstrations at US ports in the first quarter of 2006.

Come Join the Next Generation of the HHGFAA!

All HHGFAA Members 35 Years or Younger Are Welcome to Join

JOIN YP-35 TODAY!

Membership Only US$100.00

Prior to the 2006 HHGFAA Annual Meeting, elections once again will be held to select the YP-35 Chair and Vice Chair. Any YP-35 member in good standing is eligible to run. If you would like to run for or nominate someone else for the position(s), please contact Ruby Tucker at *ruby@eurousa.us* or Michael Gilbert at *michael@swintl.com*. Please visit **www.yp-35.org** and review the YP-35 By-Laws to see the responsibilities these positions entail. Results of the elections will be announced at the Annual HHGFAA meeting in October.

PLEASE NOTE:
It is up to YP-35 members to maintain current data on the Website. Please take a moment to log in and verify your information. Make sure that your birth date is listed! If you have difficulty accessing the Website, or if you have questions or ideas concerning YP-35, please e-mail *ruby@euro-america.net.*

ALAN F. WOHLSTETTER SCHOLARSHIP UPDATE

The Alan F. Wohlstetter Scholarship Fund is the cornerstone for the HHGFAA Scholastic Assistance Program, which is aimed at promoting and supporting individuals engaged in higher education involved in the areas of transportation and logistics. Donations (by major annual giving levels) to the Alan F. Wohlstetter Scholarship Fund received to date are as follows:

Platinum ($5,000 or more)
Manchester Grand Hyatt Hotel, San Diego
Marriott Wardman Park Hotel, Washington, DC
*Matson Navigation
Trans-Atlantic American Flag Liner Operators

Gold ($2,500–$4,999)
Continental Van Lines
Deseret Forwarding International, Inc.
*P & F Safepac Company Ltd.

Silver ($1,000–$2,499)
All American Moving Group, LLC
Apollo Transportation Companies
Approved Forwarders
Blonde International, Inc.
Denali Group Companies
Dewitt Transportation Services of Guam
Evergreen Forwarding, Inc.
Han & Ella Helders
Jet Forwarding Inc.
Jack Kagan
National Van Lines, Inc.
Royal Hawaiian Movers
The Pasha Group
J. W. and Heike Westbrook

Bronze ($500–$999)
7M Transport, Inc.
A & P Shipping Corp..
AALCO Forwarding, Inc.
American Red Ball International
Arpin International
Cartwright International Van Lines, Inc.
Terry R. Head
Interstate Worldwide Relocation
Paul Arpin Van Lines, Inc.
R. J. Hudson Associates
S & E Transportation
Southern Winds International
The Community Foundation, Inc.
The Suddath Companies
True North Relocation

In Kind or Other
AAA Heartland Express
Jackie & George Agner
American Moving & Storage Association
American World Forwarders, Inc.
Belvian and Gloria Carrington
Bridgette R. Galbreath
Dell Forwarding, Inc.
Gateways International, Inc.
Mr. & Mrs. Stanley Goldman
HC & D Forwarders International, Inc.
Terry R. Head
National Forwarding, Inc.
Ocean-Air International, Inc.
Pearl Forwarding, Inc.
S & E Transportation

NOTE: *Denotes contribution received since the November/December issue of **The Portal** was published. *This list reflects only contributions received since September 1, 2004*.

Join this prestigious list of contributors by sending your contribution TODAY! For more information on how to donate, please go to www.hhgfaa.org or www.yp-35.org. Make checks payable to Alan F. Wohlstetter Scholarship Fund.

Alan F. Wohlstetter Scholarship Fund

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The Board of Directors of the Alan F. Wohlstetter Scholarship Fund urges you to consider a contribution or donation to the Scholarship Fund as part of your year-end tax strategy or as you formulate your company budgets for next year. Please advise your employees that scholarships are available to qualified candidates of any HHGFAA company worldwide. For further information, visit **www.yp-35.org/.**

Matson Gives Big Boost to AFWSF

Matson Navigation presented the Alan F. Wohlstetter Scholarship Fund an early holiday present: The company generously donated $5,000 to the Alan F. Wohlstetter Scholarship fund!

Pictured are AFWSF President Heather Engel, flanked by Len Isotoff, Manager Sales, and Gregory Chu, Manager Freight Operations, Pacific Northwest, Matson Navigation.

Not Big Enough

John Gallagher

Rail shippers looking for capacity relief from a bulked- up Panama Canal should look again.

A new study suggests that boosting capacity at the Panama Canal probably won't ease the pressure from the growing volume of intermodal shipments moving through West Coast ports and connecting rail carriers during the next 10 years.

That study by Drewry Shipping Consultants paid for by container shipping line APL, a major carrier into the West Coast and a heavy force on intermodal traffic for shippers looking to get goods beyond the gateways. The cost to expand the Panama Canal is estimated at $5 billion to $13 billion.

Roughly 70% of the estimated $100 billion container trade passing through the canal each year is either destined to or coming from the United States. Between 1995 and 2003, container cargo transiting the canal almost doubled from an estimated 2.76 million TEU to 5.22 million TEU.

The canal was operating at capacity during the 1990's, but transits fell as ship size increased. When the economy pulled out of its slump in 2002, canal use shot up again. In 2004, utilization at the canal went over 100 percent for the first time in 5 years.

Canal throughput climbed sharply last year as shippers moved to all-water services in response to congestion at US West Coast ports "and deteriorating performance of the transcontinental railroads," the study said. But while the Panama Canal Authority is planning to increase throughput to accommodate post-Panamax-size ships, Drewry projects a 3% annual growth in vessels transiting the canal would consume any capacity improvements by as early as 2008.

The cost of the expansion could have a significant effect on routing. In its own analysis this year, Global Insight, a transportation consulting company, concluded that if the Canal raised tolls significantly to pay off the debt used to finance expansion, alternate shipping routes will become more appealing.

"Rail routes and even extended ocean routes can become viable alternatives to even some existing traffic in addition to forecast future cargo volume," said Paul Bingham, an analyst at Global Insight.

But Global Insight's study also affirmed that shippers will have incentive to use the Canal to avoid disruptions on the West Coast even if with toll increases. "Traditional wisdom holds that all-water routes are preferred because they have a cheaper delivered price," Bingham said. "But even in cases where there's no discount, it will continue to be used as means of minimizing risk. The investment in distribution centers along the Gulf and on the East Coast shows that this is permanent decision that retailers are not going to be held hostage to West Coast port disruptions."

The APL study noted the significance of expanding intermodal capacity on the East Coast.

"Eventual expansion of the canal may only transfer the choke point to the East Coast, unless action is taken to further develop the port and terminal facilities which do not currently have the capacity to efficiently handle the larger 8,000- to 10,000-TEU container ships able to use the canal post-expansion," it said.

John Gallagher is associate editor of TrafficWorld, *in which this article appeared.*

Crowley Buys Fuel Transport Company

Crowley Maritime acquired fuel distribution company Columbus Distributing for an undisclosed sum as it looked to expand its operations in Alaska.

Oakland, Calif.-based Crowley said the acquisition would further strengthen its Anchorage operations and enable expansion geographically onto the Kenai Peninsula and into Fairbanks.

"It provides us the opportunity to handle additional brands and doesn't overlap with our current business, thus providing a true expansion opportunity," said Craig Tornga, vice president of Alaska fuel sales and distribution for Crowley.

Anchorage, Ak.-based Columbus Distributing handles about 26 million gallons of fuel per year through its two business segments: wholesale fuel distribution and retail card lock service station.

Crowley's Dorine Tessier will join Columbus Distributing as general manager, reporting to Tornga. Columbus Distributing will be included in Crowley's petroleum services business line.

SOURCE: Traffic World

International Shipping Alerts

HHGFAA members around the world help to keep us informed of developments in their country that could affect incoming or outgoing shipments. If you are aware of developments or changes in your country's procedures, regulations, or conditions that would benefit your trading partners overseas, please advise HHGFAA, which will pass it along in ***The Portal*** *and/or the* ***E-Portal.***

Nigeria

HHGFAA member **IAL Nigeria Limited** has advised HHGFAA that the Federal Government of Nigeria through the Federal Ministry of Finance (the supervisory ministry of the Nigeria Customs Service) recently approved a new customs clearance requirement (destination inspection) for all inbound shipment into Nigeria, effective Jan. 1, 2006. [*Editor's note:* A .pdf version of the relevant document is attached to the online edition of this issue of **The Portal.)** **[CLICK HERE TO ACCESS THE DOCUMENT.]**

Destination inspection will be implemented with the Assycuda, the customs agency's computerized customs system, with the result that customs clearance procedure should be faster for all appropriately declared goods/household goods and personal effects, although improperly declared goods customs clearance may either be delayed or outrightly seized by the Nigeria Customs Service and the customs broker/agent blacklisted, according to IAL CEO I. A. Lawal.

Due to the strict requirements under this implementation, which would combine result of the customs physical inspection with inspection agents' electronic scanners reports, problem shipments will be discovered and confiscated. Therefore, IAL urges HHGFAA members to ensure that inbound shipments into Nigeria are appropriately declared.

Lawal notes that new furniture pieces are banned items, and only a set of used furniture (at least 6 months old) can be accepted as personal effects. IAL will not take responsibility for seizure of inappropriately declared goods.

Venezuela

HHGFAA member **Clover Internacional, C.A.,** headquartered in Caracas, Venezuela, has advised the Association that a landslide on Jan. 2 on the edge of the Caracas-La Guaira highway has restricted the traffic of motor vehicles of all kinds, including public and enclosed transport trucks.

Venezuela's National Plan of Emergency was activated, and the government soon will announce alternate routes, the type of traffic that must be allowed, qualification of ports, and airports able to receive surface and air shipments and passengers.

The alternate routes are as follows: Old Highway Caracas-La Guaira, the Highway toward Carayaca, and the Coastal Highway toward Higuerote.

The period of time that the restrictions will be in effect is still unknown. For updated information, please contact Maribeth Alvares at *mariberth.alvarez@clovergroup.com.ve*.

MILITARY/GOVERNMENT UPDATE

Government Flunks Annual Audit, Again

By Jenny Mandel, Government Executive Magazine

For the ninth year running, the federal government failed to achieve a clean financial audit, largely because of accounting issues at the Pentagon.

This year's results, released on Thursday, looked much like those from recent years. Internal problems with government accounting systems prevented the Government Accountability Office from reaching a reliable conclusion about the accuracy of the Treasury Department's Fiscal Year 2005 Financial Report of the U.S. Government.

The failed audit was unsurprising, as accounting problems at the Defense Department alone -- given the size of its budget -- are sufficient to introduce uncertainty into the entire federal accounting process. DoD has told lawmakers it will not be able to meet a 2007 target to clean up its accounting procedures.

GAO cited three major factors for the audit failure. In addition to "serious financial management problems at the Defense Department," the report noted an inability to account for and reconcile balances that cross agency lines, and an ineffective process for preparing the financial statements.

DoD was not alone in receiving a disclaimer, or failing mark. It was joined by NASA, the Energy Department and the Homeland Security Department. Together, these agencies represent 58% of the government's total reported assets, the report said.

Move to Bliss from Germany to Begin in October 2007

By Jim Tice Army Times Staff Writer

The move of 20,000 soldiers and 33,000 family members from Germany to this sprawling 1.2 million-acre border post will begin in fiscal 2008, according to Secretary of the Army Francis J. Harvey.

The huge troop and family move approved by Congress as part of the 2005 Base Realignment and Closure Commission process will take about 3 years, with a full division and combat aviation brigade in place at Biggs Army Airfield by fiscal 2011, officials here said yesterday .

Most of the incoming forces will be part of the 1st Armored Division, currently based in Germany. One of the division's four brigade combat teams, currently flagged as the 4th Brigade of the 1st Cavalry Division, already is organizing here and will be moving into new modular quarters later this year.

Simultaneous with the arrival of brigades and a division headquarters from Europe, the Air Defense Center and School will move from Bliss to Fort Sill, Okla., where it will combine with the Field Artillery Center and School to form the "network fires" center, one of several "centers of excellence" the Army will be forming in the future, Harvey said.

About 2,200 soldiers will be involved in this move.

Airlines Combat Fuel Costs

By Brendan M. Lynch

Some of the nation's biggest airlines are cutting back capacity and slashing routes in response to sky-high jet fuel prices, while planners debate the impact such cuts will have on meetings.

In late September, Fort Worth, Texas-based American Airlines cancelled 15 roundtrips from its two largest hubs, Chicago O'Hare and Dallas/Fort Worth. Cities losing service include Atlanta, Denver, Houston, Minneapolis, and Toronto. There was talk of the flights resuming at the end of October if the cost of jet fuel declined.

"It was the 39 percent rise in jet fuel costs in the last month alone that pushed us," said Dan Garton, executive vice president with American. "It is no longer economically viable for us to maintain the current level of convenient service in those markets, given our current fuel cost."

Meetings industry reaction to the cuts has been mixed. "I don't think that would affect meetings coming into Chicago, because it's such a premier destination and there are so many alternatives to American," says one Chicago-based meeting planner. Others, however, expressed worry, noting that loss of airlift is inevitable.

Meanwhile, on Oct. 2, Northwest eliminated its daily nonstop JFK-Tokyo service, citing fuel costs; and Atlanta-based Delta Air Lines recently cut, only to quickly restore, service on various routes due to fuel costs.

According to research conducted by Chicago-based OAG, domestic flights were down 2% for the year. That means about 19,000 fewer flights were offered between October 2004 and October 2005 than in the previous 12 months. And OAG's statistics show even low-cost flights within the United States are down 6%.

SOURCE: Meetings & Conventions

Searching for Wireless Hotspots

The search for wireless hotspots is getting easier as the number of hotspots grows. Cranking up the old laptop to search for a network can be such a hassle. There are many keychain-sized hotspot detectors on the market, ranging anywhere from $20 to $50. And for those with laptops that have outlasted their depreciation schedules (meaning they're so old they don't have wireless capability built in), some connect through a USB port and provide software so you can go wireless, too. The most useful ones will have an LED screen and will be able to note if the hotspot is public or secure. Travelers who have a little time to prepare might want to check out some of the hotpot directories online, such as **wi-fihotspotlist.com**

JOURNEYWOMAN

http://www.journeywoman.com

Women who want to get a female perspective on travel should visit *Journeywoman* (**www.journeywoman.com**). This magazine has lots of articles, advice, and tips on travel for women. You'll find advice on traveling with children, personal travel anecdotes, insider information about the best shopping sites, what to wear in various countries, guides to traveling alone, medical advice, cultural tips, an e-mail directory of other female travelers, city guides, and more. Actually, with titles like "Favorite Irish B&Bs" and "Super Spain — Six Hotels Under (US) $50," *Journeywoman* has plenty that male travelers will find interesting too.

This item is copied from the newsletter Really Useful Sites for International Trade Professionals, a free, bi-weekly email publication of FITA — The Federation of International Trade Associations.

In Brief ...

Cargo traffic for European air carriers grew 2.1% in October and for the first 10 months of 2005. But almost all of the growth came on Far East routes, where the Association of European Airlines said freight traffic grew 5.4% in October and 5.2% in the January-October period. ...

Freight traffic for Asian airlines grew 1.9% in October, according to the Association of Asia-Pacific Airlines, and was up 3.2% in the first 10 months of 2005 on a 5.3% gain in capacity.

HHGFAA Member Company Hosts President Bush

JK Moving & Storage, an HHGFAA member in Sterling, Va., recently welcomed President George W. Bush to a town meeting on its premises. The president used the occasion to develop an economic address in Loudoun County, Va., one of the fastest-growing economic regions in the United States, where JK is headquartered. The venue for the speech showcased the company's innovative training facilities.

Bush noted that JK Moving & Storage founder Chuck Kuhn had first dreamed of owning his own company when he was just 17 years old. "And 23 years later, we're standing, obviously, in what has become a successful business enterprise. Successful because he is thriving and expanding. Successful because he has provided people a good place to make a living."

Kuhn, Bush said, was a prime example of why "America is the place where the entrepreneur can succeed."

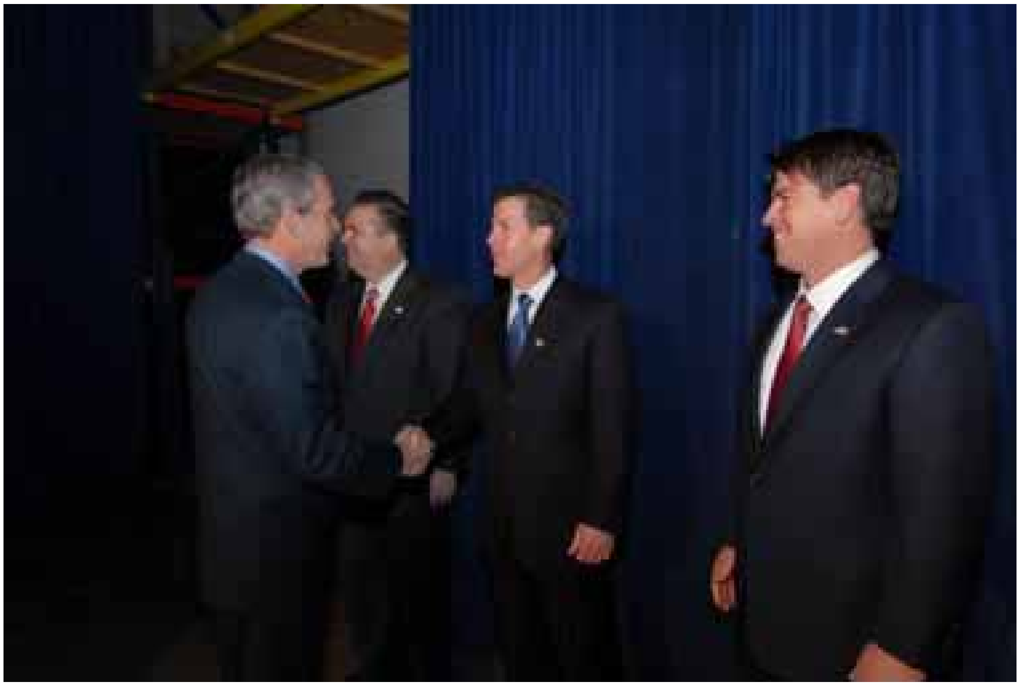
"This was a great moment for us, having the President here today at JK," said JK Moving & Storage President Charles S. (Chuck) Kuhn. "A company such as ours, which grew from humble beginnings into a major local corporation, is truly reflective of the overall growth of our community."

Executive Vice President Steve Kuhn agreed with his brother. "We're proud of our contributions to our industry, our community and our clients. But it's especially gratifying when others take notice," he said.

Bush used the gathering as a forum to touch on his administration's accomplishments and goals for the future, and discussed a range of issues, from Medicare to Iraq. Following his remarks, he opened the floor to questions from the audience.

The event was organized by the Loudoun County Chamber of Commerce.

Website: **www.jkmoving.com**



Discrimination Remains Important Issue for Employers

Employment discrimination continues to be an important issue for companies. A recent Gallup poll, partially sponsored by The Society for Human Resource Management, reports that 15% of full- and part-time US workers say they have been subjected to some sort of discriminatory or unfair treatment. That number jumps within several groups of people—31% of Asians report incidents of discrimination, as well as 26% of African-Americans and 22% of women. In addition to race and gender, instances of discrimination were cited for age, disability, sexual orientation, and religion. Do you know whether it violates EEO laws to require that only English be spoken in the workforce? Can a business ask a pregnant woman for a doctor's note before granting leave? Can an organization require that an attempt at mediation be used to solve a dispute before a costly lawsuit? If you or your hiring managers don't know for certain the answers to these questions, see the EEOC's free online fact sheets at **www.eeoc.gov/publications.html**.

SBA: Small Business Contracting Picture Improving

By Jenny Mandel, Government Executive Magazine

Small businesses benefited in 2004 from several measures that enhanced their ability to compete for federal contracts, according to a report released recently by the Small Business Administration's Office of Advocacy.

The report, titled "The Small Business Economy: A Report to the President," makes the case that the overall economic environment for small businesses improved markedly in 2004. Federal spending on contracts for small firms and procurement policy initiatives contributed to that improvement, the report stated.

Small businesses won $69 billion in federal prime contracts in fiscal 2004, or 23% of the total pot of almost $300 billion that was open to small companies, according to the document. This represented an increase of $3 billion over the previous year, although the percentage of contracts issued to small businesses dropped slightly from 23.6% in 2003 to 23.1% in 2004, according to the report.

For full story, access **http://www.govexec.com/story_page.cfm?articleid=33104&dcn=e_gvet**.

Survey Reflects Concerns Over Adopting Wireless Technology

The integration of new technology with existing systems is the biggest obstacle preventing the trucking industry from using more wireless applications, a survey found.

But the survey also said wireless technology offered carriers economic benefits from three areas: better cargo tracking, improved communications with drivers and faster schedule and route optimization.

Chris Saynor, chief executive officer of Eye for Transport, the London-based transportation consulting firm that conducted the survey, said it showed trucking companies are trying to balance the economic benefits of using wireless technology with the costs of implementation.

The Use of Wireless & Mobile Technology in Fleet Operations survey reveals that, although the industry has confidently embraced wireless technologies for certain functions, there are still emerging applications, such as proof of delivery and mobile imaging, which have yet to achieve widespread adoption.

Trends move fast, and the latest technologies and strategies are critical in the quest for an operationally and financially successful business model.

While integrating the technology is clearly the most significant problem, almost two-thirds of the survey respondents felt that start up costs are still too high. However, while exactly half of the respondents had a problem convincing senior management of the merits of the technology, only a third had any difficulty in persuading their drivers.

The responses indicate that there is still a long way to go; the potential for remote vehicle diagnostics and monitoring has yet to be fully realized, and a disturbing 20% of fleet executives do not communicate at all with their drivers on the road.

More than 300 senior-level executives from trucking and delivery fleets responded to the survey, the results of which have been published in a report, which is available as a free download from www.eyefortransport.com/wirelesstruck06/report.shtml.

How to Spot an E-mailed Virus

If you're concerned about the possibility of receiving e-mails with viruses attached, you're not alone. Viruses can infect your system via e-mailed attachments. But there's an easy way to tell whether you've been sent a virus. Look at the file extension found after the document name. For example, if you have a file named "letter.doc," the ".doc" is the file extension. Beware of any unexpected e-mail attachments with the extensions ".exe," ".scr," or ".pif" — the most common extensions of viruses. If you don't know the sender, delete the e-mail.

Map Your Hard Drive

SpaceMonger displays every file and folder on your computer as a box that is proportionate to the space the file or folder takes up. This lets you see at a glance which programs, folders, etc., are taking up the most space. You can then click on the box and delete files that you no longer need to free up storage space on your drive.

For information, access **Werkema.com**. The program is free.

Body Talk: Reading People During Negotiations

By Sara J. Welch, Successful Meetings

Body language is fundamental to communication — in fact, some experts say that between 65 and 80% of all human communication is via body language, according to Dr. Dorothy McCoy, a psychologist, behavior expert, and law-enforcement officer in Boone, NC. "Often what we say is not nearly as important as the look we give — that appearance of confidence in our position," offers McCoy. Here, more tips on conveying proper body language . . . and reading that of others.

- **Be — or at least appear — calm.** This means sitting in a relaxed position (not completely upright) and looking the other person in the eye without staring him or her down. "If you wring your hands, moisten your lips, or your body appears tense, you are giving the impression that you're not coming from a strong position," says McCoy.
- **Keep your voice modulated —** not too loud, high-pitched, or low. However, a low voice can be effective if you know when to use it, notes McCoy: "If the other person is an excitable type and starts to get a little loud, reduce your tone so he or she really has to listen to you."
- **Smile.** "A smile is powerful," says McCoy. "Smiling and leaning toward the other person convey that you're trustworthy."
- **Be honest.** "When people are lying, they'll often pull on their earlobe or put their hand in front of their mouth," says McCoy. "They also avoid direct eye contact."

However, Marjorie Brody, a communications expert in Jenkintown, Pa., cautions that people should always look for a "cluster of clues" when reading body language. "Don't assume every twitch is meaningful," she warns. "For instance, if the other person is tapping his foot or his fingers, it doesn't necessarily mean he's hostile — he could just be a fidgety person. And while crossed arms could mean that the person is defensive, it could also mean that she's just cold."

Adjustments Based on the Price at the Pump

The US Internal Revenue Service issued the 2006 optional standard mileage rates used to calculate the deductible costs of operating a vehicle for business, charitable, medical or moving purposes — and the amounts are lower than current rates due to the falling price of gas.

Beginning Jan. 1, 2006, the standard mileage rates for the use of a car van, pickup or panel truck will be:

- 44.5 cents per mile for business miles driven
- 18 cents per mile driven for medical or moving purposes.
- 14 cents per mile driven in service of charitable organizations (other than activities related to Hurricane Katrina).

The new rate for business miles compares to a two-tier rate for this year. You can deduct 40.5 cents per mile for the first 8 months of 2005 and 48.5 cents per mile for the last 4 months. In September, the IRS made a special one-time adjustment for the last 4 months, raising the mileage rate in response to a sharp increase in gas prices, which topped $3 a gallon.

"The IRS took the extraordinary step of temporarily increasing the standard mileage rates in the aftermath of Hurricane Katrina," IRS Commissioner Mark W. Everson said. "We promised to continue closely monitoring the situation. The 2006 mileage rates reflect that gas prices have dropped."

The standard mileage rates for business, medical and moving purposes are based on an annual study of the fixed and variable costs of operating an automobile. (Runzheimer International, an independent contractor, conducted the study for the IRS.)

The mileage rate for charitable travel is set by statute and therefore doesn't change annually.

For the first 8 months of 2005, the standard rate for miles driven for medical or moving purposes was 15 cents per mile, and, except for special Hurricane Katrina rates, the standard rate for miles driven in service of a charitable organization was 14 cents per mile.

For the last four months of 2005, the agency raised the standard rate for miles driven for medical or moving purposes to 22 cents per mile. The standard rate for charitable miles remained at 14 cents per mile — except for charitable driving.

How Not to Stick Your Foot in Your Mouth Via E-mail

By Reid Goldsborough

E-mail is the most common form of business communication today; it's among the most common forms of all communication. Yet many people communicate poorly with e-mail.

That's the opinion of Janis Fisher Chan, and I agree. Chan is the co-founder of Write It Well (**http://www.writeitwell.com**), a publishing and training firm operating out of Oakland, Calif., that since 1980 has specialized in helping businesspeople write clearly and concisely in e-mail and elsewhere. She also authored the newly published book *E-Mail: A Write It Well Guide*, as well as eight other books on business writing and additional topics.

I talked with Chan about why we write poorly in e-mail, what consequences this can have, and how we can improve.

One reason for ineffective e-mail messages, she said, is that many people who have never written seriously before and have never learned writing fundamentals compose e-mail. Another reason is that even in a formal business setting, people regard e-mail as conversation and don't pay attention to the details that not only help you communicate but also make you look good (or bad).

You may not think any negatives could result from an e-mail message you sent to your co-worker that's full of slang, misspellings, and improper capitalization. But if he forwards it to his boss, and his boss forwards it to her boss, you might look like a junior high school dropout in the mind of someone deciding your next raise.

Appearance counts. Don't be careless while trying to be efficient or overly casual while trying to be cool. "People wind up conveying a sloppy image of themselves and their organization[s]," said Chan.

Your e-mail won't accomplish anything if it's not seen and read. To help ensure that your e-mail is seen and not filtered out by an overzealous anti-spam program used by your recipient or his Internet service provider, pay particular attention to your subject line.

Avoid trigger words such as "free," "make money," "buy," "save," and "sex." Don't try to disguise trigger words by replacing letters with punctuation marks. Be careful about exclamation points. Don't use all capital letters.

To help ensure that your e-mail is read, Chan recommends thinking of yourself as a journalist when composing e-mail messages:

- Make your subject line a "headline." Rather than using a general, nondescript subject line such as "Important information," use words that clearly indicate what your e-mail message is about and why the recipient should read it, such as "Accepting applications for flex-time program" or "Health benefits to change next year."
- In the body of the message, use the "journalistic triangle." Place your most important information first and expand upon it with supporting detail. Emphasize the less important points that appear later in the message with such things as capital letters; then support them with detail if necessary.
- E-mail is similar to older forms of writing in that you need to know what you want to accomplish and how to best accomplish it according to whom you're addressing. It's different in that you typically need to accomplish your goal very quickly.
- People reading e-mail typically are busy. They have lots of e-mails to go through and are unable to spend the same time with any given message that they would with a newspaper or magazine article. "Imagine that your reader is about to go through airport security on her way to an important meeting," Chan said. "You have 15 seconds to shout out your message before she disappears into the crowd. What would you say?"
- You also don't want to waste your own time with e-mail. We often shoot back responses rather than consider whether an answer is needed, which can keep e-mail conversations going and going without serving a useful purpose, she said.
- One of the most pressing recent concerns about e-mail has been potential legal liability. Regard any message you send through e-mail as being as private as a postcard sent through the mail.
- Be especially careful about potentially offensive content and tone in your e-mail, recommends Chan. Many organizations have e-mail policies that spell out appropriate use of e-mail, but not all do.

E-mailing porn images or even off-color jokes could get you fired or your organization sued. Similarly, avoid the temptation of using e-mail to forward any joke to everybody you know. Most have probably already seen it or don't care.

For additional tips, check out Write It Well's Web site or Chan's book (which is available in major bookstores and through online booksellers).

Reid Goldsborough is a syndicated columnist and author of the book Straight Talk about the Information Superhighway.

Start Talking!

There are plenty of slackers on staffs out there, and there are plenty of horrible managers as bosses. This message isn't for you. A new study from VitalSmarts documents that among all the reasons employees leave, from money to opportunity to career change, a poor relationship with their boss tops the list.

Amazingly, only 20% say they attempted to explain their concerns to their boss. "The number one thing that bosses need to do ... is create a climate where their direct reports can hold crucial confrontations and crucial conversations with them," says Joseph Grenny, president of VitalSmarts. "They need to talk literally about anything, no matter how politically or emotionally sensitive it is. If they do that, people then feel connected."

So, come on, all you non-slackers and good managers: Start talking.

An E-tool Whose Time Has Come

"E-mail marketing has clearly arrived as a key marketing strategy for most companies," says Loren McDonald, vice president of marketing at EmailLabs. "But in 2006 those companies that don't align the proper resources and technology to take their program to the next level will find their competitors leaving them behind in the 'inbox' of their customers and subscribers." EmailLabs developed a top-10 list for those marketers that want to begin taking their e-mail marketing program to the next level. Here are five points that seemed especially worthy of consideration:

1. **Get relevant** — dive into personalization and segmentation.
2. **Resolve or minimize deliverability and rendering issues** by sending tests to a variety of e-mail services (Outlook, AOL, Yahoo, Gmail, etc.).
3. **Redesign e-mail messages** for users who view them in the preview pane and block images.
4. **Get permission**; sending unsolicited e-mail can cause deliverability problems, damage to the brand, and lost customers.
5. When people find your Web page, **use e-mail newsletters,** white papers, and so forth to build a relationship with them.

COFACE COUNTRY RATINGS

www.coface-usa.com/products_services/country_risk/country_risk_ratings.html

Getting paid for the product or service you deliver is the No. 1 goal in every business, and companies that do international trade are naturally concerned with it. You can get a good idea of the political and financial risk for businesses in different countries worldwide if you go to Coface Country Ratings (www.coface-usa.com/products_services/country_risk/country_risk_ratings.html). At this site you can download two free files: a Country Risk Outlook Report; and a United States Industry Risk Outlook Report. The first report gives an overview of the payment risk for regions and countries worldwide, while the second focuses on US industries. Coface, which is a company offering trade risk-management solutions, has some fee-based services available at this site, but the free reports are definitely worth a look.

This item is copied from the newsletter Really Useful Sites for International Trade Professionals, *a free, bi-weekly email publication of FITA — The Federation of International Trade Associations.*

Fuel Costs a Heavy Load For Shippers; Truckers Seek Ways to Cut Diesel Costs

The trucking industry estimates it will spend about $16 billion more on fuel this year than in 2004. **For most firms, fuel is the second-largest expense after labor and accounts for up to 25% of operating costs,** according to the American Trucking Associations (ATA).

ATA said it is deeply concerned about the impact of diesel price increases on the motor carrier industry and what it is doing to its member companies. This year, the industry is poised to spend an unprecedented $80 billion on diesel fuel, which is $18 billion more than we spent in 2004. This is in addition to a $10 billion increase in 2004 over 2003.

To better address the issue and work toward a solution, ATA has developed the "National Fuel Price Crisis Watch" and created a Web page at **www.truckline.com/fuelpricecrisis** that contains regional and national fuel prices updated weekly, ATA communications on the subject, action items that one can take, as well as numerous resources that will help explain the issue and some things that that can be done to improve fuel efficiency in a company's fleet.

Chamber Sees More Demand, More Consolidation

The US Chamber of Commerce, a broad lobbying group for US businesses, yesterday announced its generally positive outlook on the economy. Its 2006 State of American Business briefing predicts US economic growth of 3.5%, with growth in consumer spending and capital investments to be 2.7% and 9.6%, respectively. A transportation specialist of the US Chamber of Commerce recently advised that shipper demands will spur the existing trend consolidating trucking companies into global, one-stop-shop transportation providers while tight freight capacity will force shippers to fully utilize the entire transportation network.

Fuel Costs, Driver Shortage Lead Top 10 List of Trucking's Concerns

The American Transportation Research Institute (ATRI), the trucking industry's not-for-profit research organization, today unveiled its list of the top 10 critical issues facing US truckers.

The high cost of diesel fuel and the driver shortage were the leading issues in ATRI's survey of more than 2,000 trucking industry executives, double the ranking of other issues. The complete results were released in Boston, Mass., at the 2005 Management Conference and Exhibition of the American Trucking Associations (ATA), the nation's largest gathering of motor carrier executives. ATRI also solicited and tabulated strategies for addressing each issue.

Making the "Top 10" with diesel fuel costs and the driver shortage were insurance costs, Hours-of-Service, tolls and highway funding, tort reform, regulatory redundancy/costs, congestion, environmental issues, and trucking security.

PierPass to Track Trucks Via RFID

PierPass, the program to keep port terminal gates open weeknights and Saturdays at Los Angeles-Long Beach, is adding a security feature by distributing radio-frequency identification tags to every trucker calling at the ports. The information contained in the tags will help terminal operators confirm that the truckers calling at their facilities are indeed the drivers designated by the harbor trucking companies to deliver or pick up the containers. In response to Sept. 11, the Department of Homeland Security and the Coast Guard have required that terminal operators deny access to persons that do not have proper business to conduct at the ports, said Bruce Wargo, president of PierPass.

PierPass has contracted with eModal to distribute 10,000 RFID tags to truckers by February. The companies will attach tags to every truck operated by their drivers. The RFID feature will add another level of security, matching the driver and the truck in the terminal's database. As part of the RFID program, all trucking companies that are registered with eModal must update information on their drivers to keep it current and accurate.

SOURCE: The Journal of Commerce

Truck Transportation, Courier and Messengers, and Warehousing and Storage Revenues Hit $266 Billion

Truck transportation, courier and messengers, and warehousing and storage revenues reached $266 billion in 2004, up from $246 billion the year before, the US Census Bureau recently reported. Truck transportation alone reached $186 billion in 2004, up 10.4%. Courier and messenger revenues grew 4.0% to $62 billion. This is an amplification of a report from the government a few days ago. What makes this data interesting is that most of the conditions that led to a solid year in 2004 were repeated or were improved in 2005 so most analysts are expecting a solid report next year. It is also clear that some of the advantages that existed in 2005 are not setting up in 2006 -- interest rates are higher, the deficit has worsened, inflation has become a little more serious and fuel prices are higher than they were at the beginning of 2005.

SOURCE: Roadway Express, Business Intelligence

ULSD Use May Spawn More Retrofit Programs

As ultra-low-sulfur diesel becomes available to meet federal engine emission standards scheduled to take effect in 2007, state and local governments will have an opportunity to run more retrofit programs to clean exhaust emissions of older trucks and buses, air quality officials said.

An official from the Environmental Protection Agency said EPA did not have the authority to require retrofits, but that the federal agency would support state and local programs.

Emissions of particulate matter, or soot, can be removed from the engine exhaust of older vehicles by retrofitting the vehicles with particulate filters. But without ULSD, clogging will occur, so retrofit programs have been limited, said officials at the National Clean Diesel policy summit held in Washington, DC, Dec. 8–9, 2005.

Sharing The Pain

By Andrea MacDonald

Rising shipping costs-it's not a new story. Everyone has heard the facts-diesel costs have escalated at lightening speed, carriers are oversold, and transportation rates are increasing almost daily. But what's really happening out there? Are things really that bad?

According to the American Trucking Associations (ATA), absolutely. Today, over two-thirds of goods in the United States are shipped on trucks, yet shippers today are facing higher costs than ever before. The constantly rising prices at the pump have brought fuel issues front and center, but shippers are also feeling the effects of increasing driver wages, greater insurance costs and huge increases in equipment expenses.

The ATA reports that in 2005, the trucking industry expects to spend $85 billion on fuel, which amounts to $23 billion more than in 2004. The U.S. Energy Information Administration predicted in September that the price of diesel for this year will average out to $2.41. This has repercussions not simply for operating budgets, but for the survival of many of the industry's smaller carriers. "Fuel represents about 25% of the operating costs for a carrier," says a spokesperson for the ATA. "That's the second highest operating expense after driver wages. And for smaller companies, the percentage is higher." It's not a pretty picture.

What does this translate to in terms of dollars? A recent survey (July 2005) by the Grocery Manufacturers Association (GMA) showed that in that industry, transportation costs had increased 23% to an average of $1.69 per mile in the past three years, and that transportation now accounts for 62% of all logistics costs for manufacturers.

One of the most obvious and commonplace cost increases is the fuel surcharges that carriers are charging shippers. "It is a mechanism for carriers to re-coup fuel costs, but they absolutely do not recoup 100% of the cost," says a representative from ATA. Part of the new reality has been the unpredictability of the fuel increases. Because no one was able to predict the extent to which fuel prices would soar, carriers were unable to plan in advance nor were they able to prepare their customers for the increases. As a result, fuel surcharges have been an unplanned, significant expense for shippers.

Although 2005 may stand out as the year of fuel increases, there are many significant challenges facing the transportation industry as a whole. Issues such as driver shortages, fuel supply and increased demand for services are long term, fundamental issues and will continue to affect the economy for years to come. Yet carriers are striving to achieve innovative, cost-effective solutions just as customers are looking to their transportation providers for guidance. It's an interdependent, mutually beneficial relationship that will be critical to success of the industry.

A look at the people and events shaping HHGFAA member companies

APPOINTMENTS


Kolakowski


Elletson


Valentine


Kashibuchi


Poilane

Crown Relocations has announced several appointments. **Kay Kolakowski** is the new national sales group manager, global mobility services, based out of Crown's Chicago office.

Kolakowski has over 16 years of relocation experience with the qualifications of CRP and GMS. Her experience includes working with various key national accounts.

In addition, **Nicola Valentine** has been named vice president of the US western region.

Valentine will be responsible in 2006 for the region that includes the operation of the Crown Los Angeles branch and San Francisco branch.

Valentine has several years of experience in management with Crown, having spent nearly 4 years as the divisional manager of Crown Records Management in New Zealand, and having worked on other group and regional roles prior to her move to the United States in 2001."

Steve Lutowsky as the new Business Development Manager, in the Great Lakes Region.

Lutowsky brings over 35 years of experience in the moving industry including 10 years of developing domestic and international sales for local van line agents. He will cover a variety of roles within the region, from residential moving consultant to business to business selling of household goods.

Carmella Elletson has been named the new US director of global mobility services. Elletson is very experienced in the US relocation market, and her onsite experience with a key worldwide client in Switzerland has further enhanced her international expertise. She will manage the GMS Service Centers in the United States with a growing portfolio of blue-chip clients.

Peter Murray has been named general manager, Ireland. Murray comes to Crown with a strong background in the Logistics industry with his last role as Group Commercial Manager for Ireland's largest independent forwarder. He also brings a wealth of knowledge from the Dublin marketplace.

Murray replaces Bill Whaley, who returns to his native USA to take up a special projects role.

Donna Bergles has been named to the new position of Manager, Global Mobility Services for Canada. Bergles will be responsible for all aspects of the GMS business in Canada including product development, training, service delivery and business development/sales.

Bergles has successfully run her own business, providing global and domestic relocation and real estate solutions to the corporate sector and the relocation service industry. An active member of both ERC and CERC, she is a Realtor, CERC CRP, and ERC CRP.

Website: **www.crownworldwide.com.**

Katsuaki Kashibuchi has recently joined **Trans-Link Relocation Thailand** as the sales and marketing manager of the Japanese Division. He graduated from St. Louis High School in Hawaii), and Oberlin University Tokyo in Japan.

Prior to going to Thailand, Kashibuchi had been working in Japan for more than 10 years for companies including the Kanuma Mutual Credit Union Bank and the Shimotuke Country Club.

As manager of the Japanese Division, Kashibuchi and his team will handle all Japanese corporate accounts of Trans-Link Relocation with respect to move management (inbound and outbound), housing management, and immigration management services.

Christine Poilane also recently joined Trans-Link Relocation Thailand. She had graduated from a dual degree program of DESS at the University of Sorbonne (Paris IV), earning an MBA in management at the Asian Institution of Techonology. She worked for several years in Paris, France, prior to moving to Bangkok, Thailand.

A native of France, she is fluent in English, French, and Spanish. Poilane joined in the Europe Sales Division to support the rapid growing business between Europe and Thailand for Trans-Link Relocation.

EXPANSIONS

Genghis Khan, the mighty 13th century Mongol, once founded an empire that stretched across Eurasia from Mongolia to Hungary. Today, **Move One Relocations** and sister company **AES Cargo** are retracing his steps with their own continuing enlargement. The global freight forwarder and relocation company recently marked their ongoing growth in Asia with the opening of a new joint office in the Mongolian capital of Ulan Bator.

Move One Relocations previously offered relocation services in the country via its Beijing office; however, the increasing volume of business in Mongolia now demands local representation. "As the foreign investment in Mongolia continues to build, we're seeing a significant jump in the number of expatriates relocating to the region," explained Curt Clements, managing director of Move One Relocations, who has just returned from a visit to the new office.

This escalation in trade and investment in the country is a direct result of the strengthening Mongolian economy, combined with a surge of foreign investment focusing on its mineral wealth. Indeed, in November President Bush became the first US president ever to visit Mongolia. The visit confirmed Mongolia's burgeoning importance, both economically and strategically, on the world stage.

Website: **www.moveonerelo.com**

Arpin International Group has acquired **Advantage International Relocation UK Ltd.**, a London-based licensed freight forwarder and international household goods transportation provider. The move significantly strengthens Arpin's international footprint and gives the company its first direct presence outside of the United States.

"We are pleased to be able to acquire Advantage International which gives us a much greater international presence," said Peter Arpin, CEO of Arpin International Group. "They are a fantastic company, and we look forward to bringing them on board in order to serve our many overseas customers."

Advantage International was founded in 2003 by Phil Hamill and John Ferguson. The company was the primary service provider for Arpin International in the London area, the largest international moving market outside the United States. The acquisition will mean increased sales activity and an expanded warehouse operation, Arpin said.

"We are proud to become part of the Arpin Experience, their vision, culture and customer values are unequalled," said Ferguson, a Director at Advantage International Relocation Ltd.

Hamill, a Director at Advantage International added "We are delighted to become part of an organization that has a reputation in the industry for professional integrity and quality services. The acquisition of Advantage will permit a fusion of resources that will improve the global service delivery to all of our clients."

The business relationship between Arpin and Advantage grew as the volume of work undertaken together by the two companies grew, explained Arpin. "In a short while, it just made sense for both companies that they become part of our team on a more formal basis," he added.

We've already seen how well we work for our customers as two companies," said Arpin. "Now, as one company, it can only get better for our customers in the UK."

Website: **www.arpinintl.com**.

Interconex Returns Under New Ownwership; Merger with Interdean Dissolved

Interdean Holdings Limited, a private company controlled by Paul Evans, has purchased **Interdean Interconex Group** for an undisclosed sum from the previous owners, a banking syndicate including JPMorganChase, Lehman Brothers, SVP and Morgan Stanley. The new company will trade under the name Interdean.

In a simultaneous transaction, the US operations of Interdean Interconex have been acquired by **Paramount Transportation Systems Inc.**, and will trade under the name Interconex.

The deal brings together a well-known management team. Paul Evans returns to the moving industry after a 2-year absence, having co-founded Trans Euro plc, which was sold to Deutsche Bank (Capital Partners) in September 2000. Alan Cartwright has held a number of senior finance and operations positions with Interdean Interconex, and Lawrence McGreal is the former Finance Director of Trans Euro plc.

The company is now aiming to solidify its role as a leader in the international relocation market as well expanding its portfolio of services over the next 12 months.

"A number of senior appointments will be made and a new management team will be brought together to bring a new level of commercial expertise to the company," Evans explained. "I am thrilled with the outcome, as it will deliver the best results to our staff, clients, agents and suppliers. The transaction enables us to retain the expertise that has brought the company this far, while taking the business forward to enjoy new successes. I think I speak for everyone when I say it is a time of both excitement and expectation."

Despite the current oversupply in the relocation industry, the company had begun to pick up and enjoy some success in recent months. It retains a substantial base of more than 800 employees and a turnover in excess of €150 million.

The new owners took possession on Dec. 21, 2005. Paramount Transportation Systems, headquartered in San Diego, Calif., acquired Interconex, Inc. from the CEO of Interdean. Mike Keller is the founder and CEO of Paramount. Interconex will be a separate operating entity from Paramount and will be led by Abe Ranish, with 35 years in the international relocation and project logistics industry. Ranish, President of Interconex, Inc., has over 22 years of experience in executive-level positions with substantial international experience in Asia, Europe, and South America.

Chris Meyer will also be a part of the new management team. Meyer, senior vice president, has over 23 years of international relocation and project logistics experience, and extensive household goods, project cargo, freight forwarding, accounting and inventory control experience.

Trans-Link Employees Go On Retreat

It's time for breakout season! Trans-Link Relocation had held a two-day Retreat Program for its staff at Hua Hin Majestic Resort & Spa, in the South of Thailand. The theme was "Sharpening the Teamwork." The program included a team building workshop, working out the strategic plan for 2006, and ended with a Christmas celebration.

Move One Consolidates Divisions

Move One has consolidated its moving and its relocation divisions under the Move One brand name. Hence, the Expat Relocation Center (ERC) becomes Move One Relocations. Its sister division under the Move One brand is now known as Move One International Movers.

Key members of the Move One Relocations team are as follows:

- Managing Director **Erika Clements**, who will oversee the development of Move One Relocations services and global updates.
- Regional Destination Services Manager **Jon Harman,** who is clients' first point of contact for all new inquiries, rates and general operations questions related to destination services for Central and Eastern Europe, Balkans, Russia, Ukraine or Central Asia including China.
- Regional Immigration Services Manager **Kasia Pinska**, a native of Poland who is clients' first point of contact for all new inquiries, rates and general operations questions related to immigration and permit services for Central and Eastern Europe, Balkans, Russia, Ukraine or Central Asia including China.
- Operations Manager for Hungary **Adrienn Szabó**, who manages the relocation team in Hungary.
- **John Heisler**, of the International Business Development team, who since 2000 has been expanding the company's business throughout Europe, Russia, Ukraine, and Central Asia.
- **Attila Pápai**, also with the International Business Development team, who worked in the travel industry before joining Move One, and is now based in the Prague office, where he also oversees operations in the Czech Republic.
- Marketing Coordinator **Camilla Zalka**, whose experience in market research and advertising equips her to advise on living costs, average rents and miscellaneous living questions, and provide information for surveys and cost estimates.
- Relocations Coordinator–China **Claire He**, who manages relocations to and from China, liaising with partners and clients, overseeing individual relocations, and providing price quotations.
- Balkans Region Coordinator **Eszter Pechmann**, who coordinates all moving and relocation operations in the Balkans.

AGS-FROESCH Russia Merger Announced

From Paris and Berlin, **Alain Taieb**, president of the **AGS Group**, and **Boris Germann**, president of the **Froesch Group**, recently announced the merger of their existing branches in Moscow, Russia. Effective Jan. 1, **AGS Moscow** and **Froesch Moscow** became **AGS FROESCH Russia**.

The two companies each own 50% of the shares of the merged operation. Outside of Russia, however, AGS and Froesch will remain financially independent of each other and will maintain their respective strong relationships with international removal and relocation partners.

Russia is an extraordinary country and requires a unique solution for the international mover. It promises enormous potential for growth, far beyond the outskirts of Moscow, in the rich oilfields of the East, in its other natural mineral resources and in investment opportunities in other large cities, which attract business entrepreneurs from all over the world.

The Moscow merger of AGS and Froesch will provide the springboard to further the strategic achievement of becoming the most significant industry service provider in the country, say the companies.

The complexities of the Russian procedures and protocol pose unique problems to the international relocator, but with their combined 30 years' operating experience in Russia, Taieb and Germann believe the merger of the two Moscow branches will provide a complete solution for their agents worldwide, the over 500 current corporate accounts, and for their future clients.

A short-term plan is to implement preparations for FAIM certification. As many of the standards are already in place, it is anticipated that this will be accomplished in the very near future.

E-mail for **Igor Shutov**, branch manager: *igor.shutov@agsfroesch.com*.

Websites: **www.ags-worldwide-movers.com** and **www.froesch.com.**

Crown Relocations and the CowParade Charity Join Forces in Edinburgh, Scotland

Crown Relocations, official "moover" and sponsor of the CowParade, announced that it will assist in gathering a new herd in Edinburgh, Scotland in 2006. Billed as the "world's largest public art event," the Parade brings together corporate organizations and the local community through sponsorship and the commissioning of artists.

Charlie Langhorn, managing director of CowParade Europe, said, "It is a wonderful opportunity to host a CowParade event in Edinburgh, one of the world's leading cultural destinations." Barry Koolen, Managing Director of Crown U.K., Ireland and Belgium commented, "The CowParade is set to attract over 100 sponsors and as an Official Partner in this high profile event, Crown is looking forward to being associated with such a fun and important event for the City of Edinburgh in 2006."

At the end of the CowParade, some of the Edinburgh herd will go to market —a gala auction, with 75% of the net proceeds from the auction going to charity. The OneCity Trust, which aims to tackle social exclusion through a range of community projects, and VETAID, which works to alleviate poverty through sustainable farming in developing countries, are set to benefit from the auction.

Happy 60,000th Job Well Done!

Raise your glasses, honk your horns — Sept. 9 saw the **AES Group** complete its 60,000th job.

The AES Group, which comprises of AES Cargo, Move One Relocations and ERC, pinpointed this milestone in operations using Intrack, its shipment tracking system. The 60,000 figure is the sum total of successful operations wrapped by the AES Group since its founding in 1993. The number of jobs the AES Group has successfully completed since 2003 alone, totals 31,560. This means that over the past three years the amount of undertakings carried out was more than double that of the first 10 years of the company's operation. Between 1993 and 2003, 28,440 jobs were handled by the AES Group.

In 2003 alone, Move One Relocations and AES Cargo completed 5,756 jobs, in 2004 9,588 jobs were carried out and now, in 2005, both companies have already notched up 14,294. Of the 31,560 jobs of the past 3 years, AES Cargo has carried out 75% of the assignments with Move One Relocations handling the remaining.

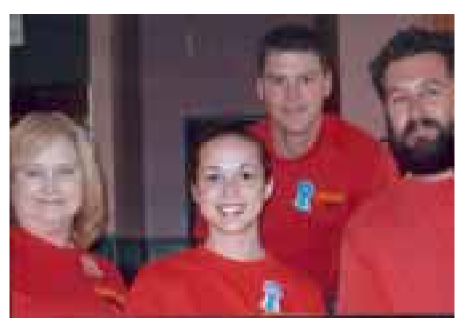
Albert Employees Take to the Alley To Celebrate Successful Summer

For the fifth straight year, the employees of **Albert Moving** of Wichita Falls, Texas, met at a local bowling alley for some good old-fashioned fellowship, food, and fun. Employees participate on more than a dozen bowling "teams," with a host of other employees participating as judges, photographers, or spectators.

Although the bowling day tradition began as a team-building event, it has grown into a much-anticipated activity that keeps getting better every year. With a record number of bowlers this year, fun was the order of the day.

"Our bowling event has become one of my favorite things to do at Albert, even though bowling is not a sport I excel at. It is just fun to participate and laugh with my co-workers," said Brandi Little, billing coordinator.

Prizes were awarded to a number of bowlers this year, some serious and some not so serious. Jason Turner, vice president of operations, came up a big winner, bringing home awards for individual high score, most strikes, and the softest roll award. He was also a member of the "Terminator" team, which won high team score with a 546. Other Terminator team members included Lindle Franks, Dawn Linsky, and Tommy Enriquez.



Additional prizes were awarded for best team name (The Scratch Cats); most team spirit (the Killers); most spirited individual (Debbie Landrum); most unique delivery (George Dunaway); slowest ball (Miria Jakes); loudest thud (Keith Parker) and most dangerous bowler (Lee Wood).

Red Ball Adopts Powerful New Technology

The new technology called Radio Frequency Identification (RFID) offers distinct advantages for inventory tracking and control. Atlas subsidiary **Red Ball International** has become the first in the moving industry to adopt RFID technology with the introduction of a proprietary system called "Global move Security" (GMS). In its first application, GMS is bringing greater security to the international transportation of household goods for military customers.

The GMS system employs RFID tags, electronic chips about the size of a pinhead, embedded in labels and attached to shipment items, cartons, and containers. When the shipment passes through dock doors equipped to read the tags, the data — including precise arrival and departure times — are reported to the GMS server. The data is compared to the information originally captured at the time of packing to verify that all items in the shipment have made it to the next location. The information is then made available via the Internet to authorized parties for tracking, a process similar to the one employed by FedEx and UPS. The process is designed to eliminate the potential for errors that can occur with manual data entry.

"Using RFID technology we can enable our customers to track not only their complete shipments, but items within shipments, with total reliability throughout the entire chain of custody," says Red Ball International President David Hope.

By identifying where in the chain of custody an item disappears, the system presents arbitrary charges to those who are not responsible. And it may be that the mere presence of the system, which is plainly indicated on shipments marked "Electronically monitored by RFID," will add a level of deterrence in the same way home security signs provide a level of deterrence.

RFID technology represents an important investment designed to provide significant dividends in quality and reliability. One big advantage of RFID is the ease with which tags can be read. Radio scanners do not have to be as close to an item as optical scanners do, so the reading of data is more efficient. Another plus is the amount of data that a chip can contain, providing important detail about an item.

"The customer benefits from tightened security and more accurate shipment tracking," noted Hope. "Ultimately the customer gains more control and the reassurance that the integrity of his or her shipment is protected. This improves service performance and in turn adds value for the customer."

Red Ball International helped pioneer the GMS system in cooperation with the Defense Department's Surface Deployment and Distribution Command (SDDC), RFID Decisions, LLC, and RFID Global Solution, Inc. The SDDC evaluated the system in tests of shipments originating or terminating in Germany and the United States.

As an early adapter of RFID, Red Ball is in good company: Wal-Mart, Best Buy, and Gillette are among the companies taking an active interest in RFID technology. The GMS system represents a new application, however — one with possibilities for much wider use.

Albert Holds Customer Service Day

The pirates at **Albert Moving** came out in force recently to celebrate Customer Service Day. The theme for its local celebration of this national week-long October event was: "We Treasure Great Customer Service!"

Pirates were a natural fit with the "Treasure" theme. There were so many swashbucklers onsite it was hard to believe this was a moving company. Several employees had such outstanding costumes that they were recognized for their creative efforts.

The entire company was invited to gather before lunch for some team-building fun. Employees were placed on teams to participate in a scavenger hut event that took them to several different locations on the property. One major aspect of the treasure hut was that each team had to remain confined to a pirate's ship made out of mattress cartons for the whole time.

Members of the winning ship were allowed to break into the "treasure box" and retrieve their bounty, which included jewels, candy, pirate loot, and a gift card to a seafood restaurant. After the scavenger hut was over, employees were treated to a pirate's lunch of sea dogs and gold de blooms (hot dogs and chips), cooked and served by members of the management team.

"Focusing on customer service is a 365-day-a-year job, but celebrating great customer service is sometimes overlooked on most of those days," said Bobby Albert, company president. "Recognizing the outstanding contributions that our employees make on behalf of our internal and external customers every day and having a little fun while doing it is a very worthwhile practice.

IN MEMORIAM

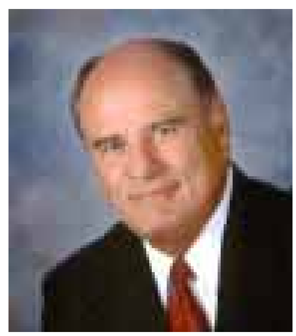
Frank C. Pulley

Frank C. Pulley, executive vice president/chief financial officer for the Interstate group of companies, passed away on Jan. 3, after suffering a stroke in December.

Mr. Pulley was responsible for the firm's financial operations and its relationship with customers and service partners. He also directed technology strategy and development, risk management and many facets of human resources. He served as secretary on the organization's board of directors and was a senior member of the executive management team. He originally joined Interstate's international division, then named STAR Worldwide Forwarding, in 1975 and served the company for more than 30 years.

He was a long-term active member in the Household Goods Forwarders Association of America, and served on the board of directors of the Household Goods Carriers Bureau and the American Moving and Storage Association, as well as representing the company in other industry organizations.

Mr. Pulley graduated from Wakefield High School in Arlington, Va., and studied engineering at Virginia Tech. Prior to his tenure with Interstate, he was employed at Four Winds Van Lines from 1967 to 1975, rising to the position of vice president, international operations.



Frank C. Pulley

Family and friends were important aspects of Mr. Pulley's life. He was extremely proud of his talented daughters, both in college. Mutual love of golf had brought together and sustained his long-time group of friends.

Mr. Pulley is survived by his wife, Marge; daughters Paige and Camie; and his brother Julian. In lieu of flowers, the family has requested contributions to the American Heart Association. Please indicate that your donation is in memory of Frank C. Pulley.

WELCOME NEW MEMBERS

Georgia Angell
President
Dell Forwarding
HHGFAA Chairman

On behalf of the Household Goods Forwarders Association of America, Inc., I want to extend a warm welcome to those who are new to our organization.

NEW ASSOCIATE MEMBERS

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Executive Moving Systems, VA

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Executive Moving Systems, VA

Mediterranean Moving Services Forwarders & Logistics Co.
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P.O.C: Mr. Khalifa Mustafa El Bleazi
Sponsors: JAF Demenagements, Tunisie
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Fax: (90) 312 284 0161
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Advance Relocation Systems, MD

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By Jim Wise
PACE-Capstone

Oil Refinery Bill and Energy Legislation

The hurricanes that ravaged the Gulf Coast last year raised serious concerns over the ability of American oil producers to continue operations, given damage to the refineries in the affected areas. Then, with increasing oil and gasoline prices, there was a compelling case to be made in Congress for moving legislation that would encourage increased oil refinery capacity and production.

Now that energy prices appear to have leveled off, the push in Congress to provide increased incentives for refinery production seems to have lost some of its momentum. In the Senate last October, the Senate Environment and Public Works Committee could not agree on a plan that would promote increased refinery capacity. The House had already passed similar legislation. Since last October, there does not appear to be much interest among members of the Environment and Public Works nor the Senate Energy and Natural Resources Committee to consider the refinery legislation. But some observers believe that there is a small group of concerned senators who may attempt to bypass the committee process and bring a measure directly to the floor.

On the House side, the legislation that has already passed is viewed as much more aggressive than anything the Senate is considering. Both the House and Senate bills aim to increase refinery production by expediting federal permitting of new and expanded refineries, encouraging the location of refineries on closed military bases and reducing the number of "boutique" fuel blends. In addition, the House bill would open some public land on which to locate new refineries and would give some areas more time to meet air quality standards. It also would make the Energy Department the lead agency in issuing permits for refineries.

Meanwhile, energy industry leaders are asking Congress to again pursue contentious policy issues that have failed in recent years, including offshore oil and natural gas production, Arctic drilling, and higher fuel efficiency standards. An analysis by the Energy Information Administration predicting crude oil and natural gas prices will remain high has given industry officials new impetus to push Congress on these issues, despite the unsuccessful attempts on the refinery bill.

Oil industry officials also say implementation this year of new EPA limits on sulfur levels in diesel fuel, higher amounts of corn-based ethanol and lower levels of the gasoline additive methyl tertiary butyl ether in nationwide fuel blends could significantly drive up fuel prices. Yet, unusually warm weather this winter has caused natural gas prices to fall more than a third since all-time highs in December. But prices still hover around $9 per British Thermal Unit -- about one-third higher than in 2004. The oil industry has indicated that it will try to convince Congress to pass legislation allowing for more offshore natural gas production, particularly in the eastern Gulf of Mexico.

Offshore drilling, however, remains controversial, particularly in the Senate, where coastal-state lawmakers blocked efforts last year to allow states to opt out of federal bans on oil and natural gas production in most areas outside portions of the Gulf of Mexico and Alaska.

Most of the environmental community appears to be taking another approach, focusing more on conservation rather than increased production. The environmental community has indicated that it will try to convince Congress to revisit the issue of federal fuel efficiency requirements. Congress in recent years has repeatedly blocked efforts to increase Corporate Average Fuel Economy standards for cars, light trucks, and sport utility vehicles. Some point to the fact that there were no provisions dealing with transportation in last year's energy bills and stress the significance of this omission.

Industry officials also pressed for the opening of the Arctic National Wildlife Refuge (ANWR) to oil and natural gas drilling. Although the Senate approved ANWR drilling as part of the FY06 budget reconciliation plan last year, moderate Republicans and Democrats blocked a similar effort in the House.

Weather over the remainder of the winter, oil supplies in the Middle East, and political pressures on Capitol Hill will all become critical factors when Congress reconvenes in February. The fate of the energy bill and, by extension, refinery capacity and fuel supplies will all be determined by how these developments play out over the coming months.

The Complexity of the Challenge of Border and Transportation Security

There is consensus that Border and Transportation Security (BTS) is a pivotal function in protecting the American people from terrorists and their instruments of destruction. The adequate provision of BTS is an extremely complex endeavor given the scope of U.S. borders, and the volume of traffic flowing across them. As outlined by Admiral James Loy, former Deputy Secretary of the Department of Homeland Security (DHS):

- We must secure nearly 7,500 miles of land border with Canada and Mexico, across which more than 500 million people, 130 million motor vehicles, and 2.5 million rail cars pass every year.
- We also patrol almost 95,000 miles of shoreline and navigable waters, and 361 ports that see 8,000 foreign flag vessels, 9 million containers of cargo, and nearly 200 million cruise and ferry passengers every year.
- We have some 422 primary airports and another 124 commercial service airports that see 30,000 flights and 1.8 million passengers every day.
- There are approximately 110,000 miles of highway and 220,000 miles of rail track that cut across our nation, and 590,000 bridges dotting America's biggest cities and smallest towns.

That is just a thumbnail of the vast infrastructure that supports the largest and most efficient economy in the world — with more than $11 trillion in Gross Domestic Product.

The earlier that terrorists and or their weapons are known and interdicted (even before coming to the United States), the lower the danger to the country and its people. With so many targets of opportunity in such a large and open society, it is virtually impossible to protect them all. Hence, the importance of enhanced intelligence to learn the identities of terrorist groups and individuals, as well as their motives, planned actions, targets, weapons, and timing. This effort (and any follow-on interdiction abroad) could be further enhanced with the use of effective diplomacy in marshaling the support and cooperation of other countries, even to the point of using joint police and/or military force to contain the danger abroad before terrorist missions are launched on US soil.

This is stage one, the first screen in terms of reach and importance for success in the rest of the mission to prevent attacks and damage to people and property. It includes related policy efforts to prevent the proliferation of weapons of mass destruction, in an attempt to deny terrorist access to the most devastating weapons. If this first stage is overlooked, the screening at the border could lack focus and be overwhelmed by the sheer volume of dangerous travelers and materials.

If terrorists and weapons of mass destruction cannot be quarantined abroad, then it is up to the border and transportation security organizations to interdict bad people and/or bad things at the border. If they get past the border, then they must be picked off at other access points as they are transported into the interior of the country. Once again, given the inherent vulnerability of nearly 300 million people living in a free and open society, and millions of physical targets of opportunity in the nation's infrastructure, it is paramount that this interception phase be as effective as possible. The lion's share of resources in the new DHS is indeed focused on this target with approximately 60% of the budget (and over 85% of the Department's manpower) committed to this goal.

Key actors in this effort are the Bureau of Customs and Border Protection (CBP), including the Border Patrol (BP); the Coast Guard (CG); and the Transportation Security Administration (TSA).

Another way of envisioning the border is offered by the Organization for Economic Cooperation and Development (OECD). The OECD presented a conceptualization (specifically dealing with the shipment of vessel-borne containers) which may prove useful. The OECD's approach identifies three principal flows in the international movement of goods:

- the movement of goods from place to place (logistics chain);
- the movement of custody from person to person; and
- the movement of information or documents.

The principal point to take away from these illustrations is that in order to secure cargo shipments from terrorists (or criminals for that matter) it is necessary to secure a wide range of potential targets — including people, places, conveyances, and pieces of information. Internationally shipped cargoes travel in various conveyances on a variety of infrastructures, through a number of places, are held in the custody of numerous people and organizations, and can involve up to 40 separate documents to complete the journey from the source zone to the distribution zone.

Movement of goods from place to place

On its journey from the country of origin to the destination country, cargo moves through the hands of numerous actors in a variety of places in the country of origin. (Think of the case of cargo being transported between countries in maritime containers. Cargo begins its journey in the source zone, at the factory. From the factory, the cargo may travel by truck, rail, or air, to reach the FPOE (departure zone).

During this leg of the journey, the cargo may be warehoused for export at a later date; it may stop at a consolidation center where it may be combined with other cargoes to comprise a full-container's (truckload, railcar) worth of shipments; and it may be transferred from one mode of transportation to another (from rail to truck for example) before reaching the port of exit. Once at the port (departure zone), the cargo is transferred to the oceangoing vessel that will take it across the transit zone. The cargo may pass through another port in the transit zone before reaching the final port of entry in the destination country. From the port of entry in the destination country (DPOE; arrival zone), the cargo may travel to the distribution zone by truck or by rail to be (1) warehoused for distribution at a later date; or (2) deconsolidated and perhaps reconsolidated for transport to the buyer.

A variety of actors are involved in each of these places in the logistics chain, possessing "custody" of the cargo on its journey. However, the movement of maritime containers is likely the most complex case.

Air cargo shipments move in a similar manner, though the time it takes for a shipment to travel from the source to the destination zone is typically measured in hours rather than the days and even weeks for maritime shipments. Air cargo shipments can move by more than one mode of transportation to a consolidator or directly to an airport; shipments may be consolidated with others into air cargo containers (which are smaller than sea containers and configured to maximize storage space in the cargo holds of aircraft); cargo may pass through a transit airport on its way to the destination airport; once at the destination airport the air cargo may be transported offsite to a consolidated freight station and de-consolidated, transferred to a truck or a rail car and moved to the final destination.

In contrast to shipments moving by sea or by air, the time it takes land-border shipments to travel from the source to destination zone can be measured in hours, if not minutes. One facet of the land border environment has been the advent of highly integrated "just-in-time" (JIT) shipping. JIT is particularly prominent in the automotive industry where for example on the northern border: seats for General Motors (GM) cars arrive at the GM plant in Detroit, MI less than an hour after being assembled and sent across the Peace Bridge in Windsor, Ontario, Canada.

In other cases, where smaller or less frequent shipments are required, they travel from the factory to a consolidator who consolidates less-than-truckload (LTL) shipments into a complete container, and transports them across the border. Another unique facet of truck transport prevalent along the southern border is the process of "drayage" where short-haul trucks ferry cargo back and forth across the border. This adds another transfer phase to the process where drayage is used, as an extra carrier is involved.

For shipments crossing the border by rail, the flow is also similar, in that the factory shipments may be placed directly into railcars (as is the case with some auto plants for example) or they may transported by truck to a consolidator or to an intermodal rail facility where shipments (complete or consolidated) are placed in railcars for shipment across the border.

Movement of *custody* from person to person (actors in the logistics chain)

Each cargo shipment begins with a buyer and an originating shipper, typically the manufacturer. Intermediaries such as buying agents and freight forwarders are the most frequently utilized intermediaries between the originating shipper and the ocean carrier. Freight forwarders can provide multiple services needed to transport cargo from factory to port: transport, warehousing, consolidation, etc. However, other actors can provide these services individually as well. These include customs brokers, truck and rail carriers, warehouse agents, consolidators, etc. Thus, cargo shipments can be held by a number of different actors on the journey to the port of exit. Once at the port, the cargoes pass through the control of the customs authority and are transferred to the port operator, who then transfers them to the maritime carrier for transport through the transit zone. Upon arrival at the port of entry in the destination country, the process is reversed. The cargo passes through the custody of the port operator, the customs authority, and possibly to customs house brokers or de-consolidators to the transport operator, and finally to the buyer.

It is important to note that there are in reality two sets of actors involved: those who hold what could be termed as *documentary* custody, the people in the offices at each of the places who handle the paperwork side of the transaction; and those actors who have *physical* custody or are in physical proximity to the cargo itself (the warehouse and dock workers, longshoremen and truck drivers, etc.). Each of these groups of people present different risks to the flow of cargo, and require different policies to address these risks.

Movement of information or documents

Individuals traveling to the United States require a series of documents in order to arrive in the country legally. Foreign nationals not already legally residing in the United States who wish to come to the United States generally are required to obtain a visa to be admitted. Foreign nationals from a Visa Waiver country who seek temporary admission into the United States for business or pleasure do not need a visa, however, such foreign nationals are required to possess a passport. As now required by law, all travel documents must include biometric identifiers. However, there is concern that the lag in time before full implementation of the biometric requirement could pose opportunities for terrorists. Prior to obtaining a visa, all aliens must undergo admissibility reviews performed by

State Department consular officers abroad. Once they have been issued a visa and prior to their admission to the United States, all aliens must submit to an inspection, which includes an admissibility review, at a US port of entry.

These reviews are intended to ensure that they are not ineligible for visas or admission under the grounds for inadmissibility spelled out in the Immigration and Nationality Act (INA). Just as with people who seek to enter the United States, goods entering the country are also accompanied by a set of documents. As noted above, there are many stages and actors through which cargo can pass before arriving in the United States. The OECD notes that some imports can require as many as 40 separate documents in order to complete the journey from the point of origin in the source zone to the destination. Each time a shipment changes hands from person-to person or place-to-place it requires documentation. The required documentation generally includes two primary sets: commercial documents that move cargo from each private sector actor (carrier, broker, freight forwarder, consolidator, driver etc.); and customs entry documents which contain information that can be used both for security and commercial compliance screenings.

Generally, goods cannot legally enter the commerce of the United States until CBP has released them. Importers or their agents (e.g., customs brokers) are required to file entry documentation with CBP for each importation regardless of whether or not duty must be paid on the merchandise. To expedite clearance of their goods, importers often file documents electronically and pay the bonds before the merchandise arrives at the port of entry. Entry documents include proper bills of lading, entry forms, invoices, and evidence of the right to make entry. Customs also collects information from manifests for security purposes, including data about the shipper, importer or consignee, and information concerning the nature of the merchandise. The data contained in these documents gives CBP necessary information to target and screen high-risk shipments both for security and for commercial entry purposes. CBP inspectors examine goods for admissibility (regarding any commercial or compliance issues) before releasing them into commerce. Goods are also inspected for security purposes including terrorist weapons; illegal narcotics; and other contraband.

Achieving adequate BTS is an extremely complex task. The conceptual frameworks outlined in this report are meant to assist the policy maker in understanding the legitimate flows of people and goods entering the country. As acknowledged earlier in the report, legitimate flows are but part of the picture: criminals and terrorists can and do manipulate and interfere with legitimate cargo to smuggle people and contraband into the country. They also bypass the legitimate processes and ports altogether, bringing their goods across between ports of entry.

Understanding the flow of people and goods into the United States is a first step to assessing current efforts, and developing new options and next steps.

Bush Names Simpson Transit Czar

By Terence J. Kivlan

Staten island transportation executive James Simpson has been selected by President Bush to head the Federal Transit Administration, which bankrolls such major projects as the overhauls of New York City's two ferry terminals.

Bush's decision to nominate Simpson to the $152,000-a-year post was announced Jan. 18. The appointment to the Department of Transportation post is subject to confirmation by the Senate.

Simpson, 50, chairman of **Victory Worldwide Transportation, Inc. of Stapleton, N.Y.,** and a long-time board member of the Metropolitan Transportation Authority, is to succeed former FTA Administrator Jennifer Dorn, who left last fall to take a job at the World Bank. Simpson was backed for the position by Gov. George Pataki.

The FTA administrator runs a politically sensitive program important for big mass-transit states like New York. Federal funding is vital to preserving the metro area's massive subway, commuter rail and ferry and bus systems.

FTA has about 500 employees and a budget of $8.6 billion. It overseas the awarding of federal grants to improve and maintain current mass transit systems around the country and develop new ones.

The bulk of the money is allocated to the states under a formula based on population and mass-transit ridership. With one-fourth of the nation's mass-transit passengers, New York typically has gotten a large share of the funds.

The agency budget also includes discretionary funds — totaling $1.6 billion this year — to pay for such big-ticket projects as the rehabilitation of the Whitehall and St. George ferry terminals. The projects were completed last year, largely with financing from a $463 million loan package approved by the FTA in 2000. The package also contained funding for the purchase of three new boats.

FTA funding is currently being used to pay for the reconstruction of the Lower Manhattan transportation hub destroyed at Ground Zero, the modernization of the South Ferry subway station and the project to extend the Long Island Railroad into Grand Central Station.

Simpson started at Victory as a summer truck driver in 1975 while still a student at St. John's University. After rising into the company's management ranks, he helped transform it from a small moving van concern into a worldwide freight forwarder and relocator of household goods.

Coming Up in THE PORTAL

The next two editions of ***The Portal*** will focus on the following themes:

March/April 2006 “Employment Outsourcing: Its Impact on Global Trade and International Relocations” (deadline: March 15, 2006)

May/June 2006 “Africa: Forgotten Continent ... or the Land of Opportunity?” (deadline: May 20, 2006)

HHGFAA members are invited and encouraged to submit articles (with or without photos) or comments on these two important and timely topics. Your fellow HHGFAA members will benefit from your experience and observations. **For the May/June issue, HHGFAA members in Africa also are invited to submit company profiles to be featured in the magazine.**

Please note the deadlines for submissions above. If you need information about the best means of submitting articles and graphics, please e-mail *bel.carrington@hhgfaa.org*. All articles are subject to editing for syntax, grammar, and clarity.

THE PORTAL

The premier journal of the household goods removals industry

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May/June Issue ....May 20, 2006
July/August Issue..July 15, 2006
September/October Issue...................September 1, 2006
(ANNUAL MEETING ISSUE)
November/December Issue...................November 10, 2006
January/February 2007 Issue................... January 20, 2007

IMPORTANT NOTICE ABOUT ELECTRONIC ADS

The Portal now accepts computer-generated files, graphics, and ads supplied on PC- or Mac-compatible floppy or Zip disks or CD-ROMs. **DO NOT SEND ADS BY E-MAIL.**

When providing electronically-generated advertisements, your disk MUST be accompanied by a printout showing what the ad should look like. **HHGFAA will not accept disks that arrive without a hard copy proof.**

In addition, advertisers must provide the following information along with the disk. Please use this checklist to ensure that you send everything that will be needed to accurately place your ad:

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Household Goods Forwarders Association of America, Inc.

For further information about Portal display advertising or classified ads, contact Belvian Carrington at HHGFAA:

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Phone: (703) 317-9950 • Fax: (703) 317-9960 • E-mail: bel.carrington@hhgfaa.org

ADVERTISERS' INDEX

Industry Calendar

Feb. 22–24, 2006
GSA Household Goods & Freight Forum
Garden Grove (Anaheim), CA

Feb. 26–March 3, 2006
SDDC Pacific Workshop
Honolulu, Hawaii

March 19–22, 2006
LACMA Conference
Seville, Spain

March 20–21, 2006
Military/Industry Meeting
Arlington, VA

March 30, 2006
JPPSO San Antonio Spring Conference
San Antonio, Texas

March 31, 2006
Dispatcher Convention
San Antonio, Texas

April 2–6, 2006
SDDC Europe Workshop
Willingen, Germany

April 8–11, 2006
AMSA Annual Convention & Trade Show
Ponte Vedra Beach (Jacksonville), FL

April 18–22, 2006
California Moving & Storage Assn. Annual Mtg.
Lake Tahoe, NV

April 22–27, 2006
FIDI Conference
Beijing, China

May 1–4, 2006
SDDC–HQ Symposium
Nashville, Tennessee

May 5–6, 2006
HHGFAA Forum on Cargo Security
Hong Kong, China

June 15–17, 2006
BAR Conference
Malaga, Spain

Sept. 24–28, 2006
NDTA Forum
Memphis, Tennessee

Oct. 9–12, 2006
HHGFAA 44th Annual Meeting
San Francisco, California

Oct. 14–17, 2007
HHGFAA 45th Annual Meeting
New York, New York

Oct. 4–7, 2008
HHGFAA 46th Annual Meeting
Honolulu, HI

Public Relations Unit

FEDERAL MINISTRY OF FINANCE

HOME FINANCE DEPARTMENT
DIVISION

CENTRAL AREA, ABUJA.

P.M.B.No. 14

Telegrams: FEDMINFIN ~~(09) 2343493~~

Telephone:

Ref. No: X/194965/PICDIA/IT2/209

Date: December 19, 2005

NIGERIA CUSTOMS SERVICE
SECRET REGISTRY
COMPT. GENERAL'S OFFICE
20 DEC 2005 92
ABIDJAN STREET
WUSE - ABUJA

The Comptroller-General,
Nigeria Customs Service,
Wuse Zone 3,
Abuja.

RE: IMPORT GUIDELINES, PROCEDURES AND DOCUMENTATION REQUIREMENTS UNDER THE DESTINATION INSPECTION SCHEME IN NIGERIA

I am directed to refer to the letter by the Honourable Minister of State for Finance reference No. X/194965/PICDIA/IT2/162 of November 30, 2005 on the Contract Agreements for the Implementation of Destination Inspection and X-Ray Scanner Projects.

2. As you have been informed, the Working Group comprising relevant Government Agencies including the Nigeria Customs Service, considered all preparatory issues towards achieving Government objective, including review of extant guidelines for effective take-off of Destination Inspection by January 1, 2006, and submitted draft Import Guidelines, Procedures and Documentation requirements. The guidelines provide the following:-

- i) Import Procedure;
- ii) Import duty payment procedures;
- iii) Responsibilities of Importer;
- iv) Responsibilities of Supplier;
- v) Responsibilities of Shipping Companies;
- vi) Service (Scanning & ASYCUDA) provider;
- vii) Documentation requirements and processes;
- viii) Customs Clearance Procedures;
- ix) Clearance Procedures at ASYCUDA sites (in the Transition period);
- x) Cargo Clearance Procedure at the terminals; and

xi) Flow Chart of Clearance Procedure.

The Guidelines have been accordingly approved.

3. The attached guidelines are forwarded for your information and necessary action towards ensuring a successful implementation of the scheme and meet the scheduled test run on 27th December, 2007.

J. I. Zarewa
Director, Home Finance
For: Honourable Minister of State for Finance

IMPORT GUIDLINES, PROCEDURES AND DOCUMENTATION REQUIRMENTS UNDER THE DESTINATION INSPECTION SCHEME IN NIGERIA

In pursuit of Government decision to abolish Pre-shipment Inspection Scheme for imports to Nigeria and the introduction of Destination Inspection Scheme for imports with effect from 1st January 2006, the following guidelines, procedures and documentation requirements shall apply in respect of import transactions with effect from that date.

A. GUIDELINES:

(1) Any person intending to import physical goods into Nigeria shall in the first instance process Form 'M' through any Authorized dealer bank irrespective of the value and whether or not payment is involved;

(2) Supporting documents shall be clearly marked **'VALID FOR FOREX/NOT VALID FOR FOREX'** as appropriate i.e. depending on whether or not foreign exchange remittance would be involved. The validity period of Form 'M' shall be six months for all general goods while Form 'M' for Plants and Machineries should have a validity period of one year.

(3) All applications for goods subject to Destination Inspection shall carry the **"BA"** code; while those on exemption shall indicate **"CB"** in the prefix of the numbering system of the Form 'M'. Exemption shall be as approved by the Honorable Minister of Finance prior to completion of Form 'M'.

(4) The Form 'M' and relevant pro-forma invoice shall carry a proper description of the goods to be imported to facilitate price verification viz.

a. Generic product name, i.e. product type, category.
b. Mark or brand name of the product where applicable.
c. Model name and or model or reference no. where applicable.
d. Description of the quality, grade , specification, capacity, size, performance etc.
e. Quantity and packaging and or packing.

(5) Documents in respect of each import transaction shall carry the name of the product, country of origin, specifications, date of manufacture, batch or lot number, Standards to which the goods have been produced (e.g. Nigeria Standards-NIS, British Standards – PD. ISO, IES, DIN (etc).

(6) Where import items such as food, drinks, cosmetics, drugs, medical devices, chemicals etc., are regulated for health or environmental reasons, they shall carry **EXPIRY** dates or the shelf life and specify the active ingredients, where applicable.

(7) Electrical appliances (fluorescent lamps, electric bulbs, electric irons and ties etc) shall carry information of life performance while cables shall carry information on the ratings.

(8) All electronic equipment and instruments shall carry:

a. Instruction Manual;
b. Safety information and/or safety signs and;
c. A guaranty/warranty of at least six months;

(9) All computer hardware, software, operating and embedded system shall continue to be Year 2000 compliant.

(10) Any wrong or fraudulent misrepresentation of facts will result in delays and or impoundment/seizures and subject to prosecution.

(11) Importation without valid Form 'M' and Blank products automatically qualify for seizure and destruction without warning and subject to prosecution.

(12) Form 'M' shall be valid for importation only after acceptance by the relevant Scanning Company and Risk Management Service Provider.

(13) All goods to be imported into the country shall be labeled in ENGLISH in addition to any other language of transaction; otherwise the goods shall be confiscated.

(14) All imports into the country shall be accompanied by the following documents:

a. Final invoice and Combined Certificate of Value and Origin (CCVO) which shall be duly attested to by the Chamber of Commerce of the exporting country and where not available notarized by a Notary Public who must indicate his Official address and registration number and contain the following details in addition to those on the pro-forma invoice:-

- Form 'M' No.
- Adequate description of goods.
- Port of entry. (The actual port shall be specified e.g. Tin Can, Apapa, Kano, Onne, etc).
- Shipment identification, date of shipment, Country of Origin, Country of supply.

b. Packing list.
c. Shipped on Board Bill of Lading/Airway bill/Way bill.
d. Carrier Certificate.
e. Insurance Certificate, Manufacturer's Certificate of production which shall state standards.
f. Laboratory test certificates of chemicals foods, beverages, pharmaceuticals electrical appliances and other regulated products, where applicable.

(15) For transactions with post landing charges, a retention fee of 5-15% of the project cost as agreed between the importer and the exporter shall be indicated on both the contract agreement and the pro-forma invoice which shall form part of the supporting documents for the registration of relevant Form 'M' in addition.

- The stated fee shall not be remitted until a satisfactory evaluation of the project has been undertaken by the Federal Ministry of Industry (Inspectorate Dept).

- The Scanning and Risk Management Service Provider shall forward to the Federal Ministry of Industry (Industrial Inspectorate Department) and the Central Bank of Nigeria, Trade and Exchange Department, copies of the contract agreement and pro-forma invoice of such projects for monitoring purposes.

- During Destination Inspection, the Nigeria Customs Service shall take cognizance of the value of shipment and post landing charges as would have been indicated on the Risk Assessment Report (RAR).

- The Industrial Inspectorate Department, Federal Ministry of Industry shall thereafter carry out an evaluation of the project and advice the Central Bank of Nigeria accordingly.

- On receipt of the report of the evaluation from the Federal Ministry of Industry (Industrial Inspectorate Department), the Central Bank of Nigeria shall advise the respective Scanning and Risk Management Service Provider on the issuance of the RAR of the retained value and the authorized dealer advised to remit same to the beneficiary.

B. IMPORT PROCEDURES

(1) Each completed Form 'M' shall be submitted to an Authorized Dealer Bank with the following detailed information, in addition to A(4) above:

a. Detailed description of the goods, including commercial name for each item, make, whether new, used or refurbished, and the standards adopted.
b. Quantities and /or their measurements.
c. Unit Cost of goods.
d. Total cost of goods.
e. Freight Cost.
f. Mode of transportation, air/sea/land.
g. Mode of shipment, Full Container Load (FCL), Less Container Load (LCL), Bulk, loose, etc.
h. Other charges and reflected on the Form 'M' (if any).
i. Country of Origin.
j. Country of supply.
k. Pro Forma Invoice; with details of physical address and telephone number of the supplier.
l. Other documents such as certificate of registration with NAFDAC, SONCAP, Pharmaceutical Board etc. and any additional documents that might be prescribed.

(2) All the copies of Form 'M' submitted to Scanning and Risk Management Service Providers shall be legible, duly marked **"Accepted" or "Rejected"** as the case may be.

(3) Upon receipt of duly completed and signed copies of the Forms 'M' from the importer, the Authorized dealer bank is required to:

a. Ensure that the Form 'M' is duly completed with detailed description of goods clearly stated;

b. Ensure that all the relevant documents that are to accompany the completed Form 'M' are actually provided. It should be stated that the Authorized Dealer bank is expected to carry out proper Know Your Customer (K-Y-C) and be satisfied that all the relevant documents being forwarded are genuine.

c. After (a) and (b), the bank shall make necessary endorsements on the Form 'M', retain the original copy and thereafter forward the remaining three copies to the relevant Scanning Company and Risk Assessment Service Provider, who will ensure distribution to the appropriate customs offices.

C. IMPORT DUTY PAYMENT.

1. Importer shall continue to pay an administrative charge of 1% of FOB value of all imports based on the rate of exchange prevailing as of the time of opening of his Form 'M'.

2. All imports shall continue to be assessed on C.I.F. value of the goods using the rate of exchange prevailing at the time of opening of Form 'M'.

3. It shall be the duty of the importers' bank through which the Form 'M' was processed to issue the customer a draft in respect of the amount assessed as duty payable which is to be paid to any of the designated banks for customs revenue.

4. The issuance of bank draft by the customer's bank and the payment thereof into the designated bank shall be done and receipt issued by the designated bank.

5. The draft for import duty and other charges shall be paid to any of the designated bank and receipt issued with the SGD number stated thereon before goods are cleared.

6. The designated bank shall continue to transfer all payments of which effects have been cleared to CBN head office (banking office) in Lagos or the nearest CBN office or currency center for onward transfers to the CBN Head Office.

7. The designated banks shall on every Monday or first working day of the week transfer all payment of which effects have been cleared to CBN Head Office (Banking Office) in Lagos or the nearest CBN Branch Office or Currency Centre for onward transfer to the CBN Head Office.

D. IMPORTER

1. It shall be the duty of the importer to ensure that the Supplier makes available the pro-forma invoice in accordance with the imports procedure of the country. As a result there must be no ambiguity on the description of the goods.

2. The importer shall ensure that all the documents to be forwarded to the authorized dealer bank are genuine and verifiable.

3. All the requirements listed under the imports procedure must be complied with before documents are forwarded to authorized dealer bank.

4. The importer shall also advise the supplier as to the time the shipment can take place.

E. SUBMISSION OF FORM M

1. Duly completed and approved Form 'M' should be submitted to the office of the respective Scanning Company in Lagos not later than five (5) working days after date of approval.

2. Authorized dealers are advised to confirm acceptance or rejection of the Form 'M' before proceeding on further action on the transaction.

F. THE SUPPLIER

On consignment of goods for shipment, the overseas supplier shall:

(1) Submit six Final invoice/Combined Certificate of Value and Origin (CCVO) manufacturer's certificate with standards adopted stated

thereon, and bill of lading/airway bill/Way bill to the relevant Chamber of Commerce or Notary Public for attestation.

(2) If found satisfactory, a final attestation is made thereunto on the documents.

(3) The attested documents shall be presented, together with any of the relevant documents, for negotiation if it is a Letter of Credit transaction.

(4) Provide the Shipping Company with appropriate details of accepted Form 'M'.

(5) The attested documents shall also form part of the documentation required for payment in respect of bill for collection transaction after clearance of the goods in Nigeria.

(6) For the avoidance of doubt, no Letter of Credit shall be negotiated without the presentation of the final documents listed in F(1) above. In addition, the responsibility rests on the supplier to ensure that what is shipped is in conformity with the terms in the pro-forma invoice and or letters of credit.

(7) Irrespective of whether a transaction is valid for foreign exchange or not, it is a Letter of Credit transaction or not, the supplier shall transmit his final documents to the foreign corresponding bank of the authorized dealer bank in Nigeria where the Form 'M' was opened.

G. SHIPPING COMPANIES

1. Shall not carry any Cargo from the point of origin that does not have details from the accepted Form 'M'.

2. Shall include into the manifest the accepted Form 'M' number, name of the Importer as provided by the Scanning and Risk Management Service Provider.

3. Failure to comply with the provision of G(1) and (2) above shall attract severe sanctions including prosecution.

H. SCANNING AND RISK MANAGEMENT SERVICE PROVIDERS.

Upon receipt of the three copies of the Form 'M' and pro-forma invoice the companies shall:

(1) Carry out a preliminary review on the application, using information provided therein.

(2) If "ACCEPTED", the SC shall distribute copies of the form 'M' as follows:

a. One to be retained by the [illegible]
b. Copy to the CAC, Port of clearance of goods.
c. Customs Headquarter.

(3) The importer shall then procure the foreign exchange through his bank, if it is a Letter of Credit transaction and also advice the supplier to arrange for shipment of the goods.

(4) If the Form "M" is "REJECTED", the affected company shall return all the copies to the bank for necessary rectification.

(5) The authorized dealer bank shall forward all the import documents to the Scanning Companies for the purpose of generating Risk Assessment Report (RAR).

(6) The Scanning Company shall generate Risk Assessment Report (RAR) not latter than five (5) working days in the case of shipment by Sea and two (2) working days in the case of shipment by Air/Land after receipt of Import Document and Form 'M' from Authorized Dealer Bank.

(7) Shall provide the Shipping Companies with relevant details from the accepted Form 'M'.

DOCUMENTATION REQUIRMENT FOR IMPORT PAYMENTS UNDER THE DESTINATION INSPECTION SCHEME

1. CONFIRMED LETTERS OF CREDIT

Original copies of:

a. Approved Form 'M'.
b. Final invoice/CCVO.
c. Manufacturer's Certificate with standards adopted stated therein.
d. Shipped on Board Bill of Lading/Airway bills/Way bill .
e. Packing List.
f. Letter of Credit instrument (tested).

Document in 'b' – 'e' shall be duly attested to as stated above.

2. BILLS FOR COLLECTION TRANSACTIONS

a. Approved From 'M'.
b. SGD Form.
c. Attested final invoice /CCVO attested.
d. Attested Manufacturer's Certificate.
e. Shipped on Board Bill of Lading/Airways bill/Waybill, attested.
f. Certificate of Insurance.
g. Import duty Payment receipt with SGD copy duly released and authenticated by Customs.
h. Bill history/bill of exchange.
i. Tally Sheet/Gate Pass.
j. Packing List (duly attested).

3. EXCHANGE CONTROL DOCUMENT THAT MUST BE PRODUCED AFTER CLEARANCE OF GOODS

a. Risk Assessment Report (RAR) with the Form 'M' no.
b. Single Goods Declaration (SGD) Form duly completed and signed by either the importer or his appointed Agent.
c. Copy of the attested invoice/CCVO.
d. Copy of the packing list.
e. Import Duty Payment receipt with the SGD number clearly stated thereon.
f. Copy of the Manufacturer's Certificate with Standards adopted stated thereon.
g. Copy of the Carrier Certificate.

h. Laboratory test certificate for chemicals, food, beverages, etc.

CUSTOMS CLEARANCE PROCEDURES (ASYCUDA + + SITES)

1. **Declarants**
    - Complete the SGDs.
    - Attach all the necessary and supporting documents i.e. Final Invoice and CCVO, pro-forma invoice, Bill of Lading, Insurance Certificate payment schedule. RAR, copy of Form 'M' SONCAP (where necessary), etc.
    - Present the completed SGDs along with the attached documents to the designated face vet officers.

2. **Face Vet**:
    - Check basic details of the SGDs.
    - Check that required documents are attached.
    - Refer the documents to the technical supervisor.

3. **Technical Supervisor**
    - Streamline the flow of SGDs for control by Data capture.

4. **Data Capture**
    - Input the SGDs and the manifest details into ASYCUDA + + respective modules.
    - Register the declaration in ASYCUDA.
    - Print the ASYCUDA declaration.
    - Refer the entries to Verification & Query seat.

5. <u>Verification & Query Seat/ASYCUDA CPC:</u>

- Receives RAR messages from the Scanning Company (SC).

- Check details of the ASYCUDA SGDs against the attached documents, but with emphasis on the values and commodity codes of the goods.

- Request the assessment of the declarations, thus the ASYCUDA + + selectivity is triggered. Lanes of the declarations are automatically determined.

- Possibility of upgrading to the next level of examination based on the lanes selected by the system and risk-related information provided by the RAR messages.

- If an examination is required, then the ASYCUDA SGD will be marked with the selected lane and the name of the inspector knowing that the ASYCUDA System assigns the inspectors for examination of the consignments automatically.

- If any discrepancy is found, then it shall be entered into ASYCUDAs Inspection Report and the declaration is modified and returned to the Declarant to sign and stamp. If a dispute continues to exist, then dispute settlement mechanisms are followed. These may include allowing the Importer to clear his goods on bank indemnity, application for a tariff decision from the Tariff and Trade department of NCS, an appeal to Hon. Minister of Finance, WCO or ultimately taking the dispute to a Court of competent jurisdiction.

- Assessment Notices are printed so that declarants can pay duties and taxes at the bank.

- At this point, CPC has completed the verification process. All other discrepancies will be the result of physical inspection or scanning of goods. Hence, Number of incidences of further payment is reduced.

6. <u>Sorting</u>

- Sort the (8) copies of the SGDs: copies no. 1,4,5 and 7 go to terminals via Dispatch, duplicate to valuation (statistics copy) for further analysis of the value, copy no. 3 to Accounts, copy no. 6 to the Declarant (with copy of the assessment notice) through the paging/ Importer Copy Seat, while copy no. 8 goes to the Central File

7. <u>Dispatch</u>
   - Record the numbers of the SGDs that are to be dispatched.

8. <u>Terminals</u>
   - Consignments related to declarations marked on the Green Lane should start release procedures at once.
   - Inspectors examine the goods marked for that purpose by the Verification & Query seat. Inspection is carried out jointly with the representatives of the other concerned agencies, (as approved by Government) and in the presence of the declarants.
   - Containers which were not selected for physical inspection, can be loaded on trucks. If scanning is required, then the respective trucks should line for scanning by the Scanning Companies.
   - The findings of physical inspection/scanning are entered in the "Inspection Report" of ASYCUDA and then re-routed to Green lane and assessed. (If covered by the fast track procedures, then the redlined entries are re-routed to blue. Otherwise, they are released or scanned and released).
   - After inspection, the Declarant submits the receipt to the Accounts officer at the terminal.
   - The Account Officer verifies that the banks cleared the payments.
   - Input payment details into ASYCUDA as received by the respective banks. The system will reject any amount that does not match the required payment.
   - The Officer in Charge of the terminal issues Demand Notice / Assessment Notice of any additional payment that is to be made if any discrepancy is found as a result of physical examination or scanning.

- Release Notes are printed, and attached to declarations.

9. Gate:
   - Issue the Exit Gate to allow the containers to leave the port.

The procedures outlined above may be subject to change as the Project progresses. More features may be added or removed as infrastructures are improved upon.

CLEARANCE PROCEDURES (ASYCUDA V. 2.7 SITES)

The following procedures shall be applied at all ASYCUDA V. 2.7 Sites in the transitional period before the ASYCUDA + + is rolled out:

1. Declarants

   - Complete the SGDs. The declarants may refer to his copy of the RAR (produced by the Scanning Companies and received through the bank) to prepare the SGD.

   - Present the completed SGDs along with the other documents to the designated Face Vet Officers.

2. Face Vet:
   - Face Vet Officers receives the copies of the (Risk Assessment Reports) RAR from the Scanning Company.

   - Check that required documents are attached.

   - Check details of the SGDs against the attached documents, but with emphasis on the values and commodity codes of the goods.

   - Any disputes may be settled through the dispute settlements mechanisms allowed by NCS.

- Attach the copies of the RAR, and refer the documents to the Technical Supervisor.

3. **Technical Supervisor**
   - Mark on the SGDs the level of examination of goods, as indicated in the respective RARs.
   - Streamline the flow of SGDs for control by Data capture.

4. **Data Capture:**
   - Input the SGDs and the manifest details into ASYCUDA Ver 2.7.
   - Register the ASYCUDA declarations.
   - Print the ASYCUDA declarations.
   - Assessment Notices are printed for declarants to pay duties and taxes at the bank.
   - Refer the entries to sorting.

5. **Sorting:**
   - Sort the (8) copies of the SGDs: copies no. 1,4,5 and 7 go to terminals via dispatch, duplicate copy to valuation (statistics copy) for further analysis of the value, copy no. 3 to Accounts, copy no 6 to the declarant (with the copy of the assessment notice) through the Paging/Importer Copy Seat, while copy no. 8 goes to the Central File.

6. **Dispatch**
   - Record the numbers of the SGDs that are to be dispatched.

7. **Terminal:**
   - Consignment related to declarations marked on the Green Lane should start release procedures at once.
   - Inspectors examine the goods marked for that purpose by the technical supervisor. Inspection is carried out jointly with the representatives of the other concerned agencies, and in the presence of the declarants.
   - Containers, which are not selected for physical inspection, can be loaded on trucks. If scanning is required, then the respective trucks should line for scanning by the SC (if scanners are in place) if not, then consignments are subject to physical inspection.

- The findings are recorded on the "Examination Clearance Forms" Which are signed by all those who witnessed the inspection.
- The custom officer in charge of the terminal issues Demand Notices of any additional payment that are to be made if any discrepancies are found as a result of physical examination or scanning.
- Assessment officers assess the ASYCUDA declarations and send messages to accounts to allow for release of goods in accordance with return messages received afterward.
- Print release orders and attach them to ASYCUDA declarations.

8. **Accounts:**
   - Input payment details into ASYCUDA after receiving Messages from inspectors following the completion of inspection of goods and assessment of ASYCUDA declarations.
   - Send messages to inspectors to initiate release procedures.

9. **Gate:**
   - Print Exit Notes to allow containers to leave the port.

NPA/CONCESSIONAIRES CARGO CLEARANCE PROCEDURE: NPA TERMINAL & BONDED / JOINT VENTURE TERMINALS

- All containers are discharged from vessel.
- All containers are transferred to NPA Terminal.
- All containers of ships stemmed to Bonded and Joint Venture Terminals are transferred to Bonded Terminals.
- All containers undergo Customs examination.
- All containers are released by Customs and Shipping Companies.
- Customs Release Notes and Shipping Companies Delivery Order (D.O.) are transferred to NPA Commercial Department/Bonded Terminal.
- Issuance of Debit Note and payment to NPA/Terminal Operator.
- Issuance of Terminal Delivery Order (TDO) by NPA and Terminal Operator.
- Receipt of the TDO by the Traffic Department of NPA.
- Loading and documentation.

- Gate control, NPA Security, Customs and other Security Agencies.
- Main Gate/Final Exit.

CONTAINERS FOR SCANING

- All containers that are for scanning must have "Authority to Load for Scanning" (ALS) obtained for them from the Customs by the declarants.
- Transfer the ALS and Delivery Order (D.O) to Commercial Department of NPA.
- Issuance of Debit Note, T.D.O and payment
- Receipt of ALS by the Traffic Department of NPA/Concessionaires.
- Loading for scanning
- Scanning and issuance of D.O.
- Main gate control and exit.

FLOW CHART

CONTAINER DISCHARGE FROM VESSEL

TRANSFER TO NPA/ CONCESIONIARES TERMINAL	TRANSFER TO BONDED TERMINAL	TRANSFER TO NPA/ CONCESIONIARES TERMI
CUSTOMS EXAMINATION CUSTOMS	CUSTOMS EXAMINATION	AUTHORITY TO LOAD FOR SCANNING (AL
RELEASE BY CUSTOMS & SHIPPING COMPANIES	RELEASE BY EXAMINATION SHIPPITING COMPANIES	TRANSFER D.O / ALS TO COMMERCIAL DEBT
TRANSFER D.O / CUSTOMS RELEASE NOTE TO NPA COMMERCIAL DEPT.	TRANSFER D.O. / RELEASE NOTE TO B.W.H	ISSUANCE OF DEBIT NOTE, TDO AND PAYMENT
ISSUANCE OF DEBIT NOTE AND PAYMENT	ISSUANCE OF DEBT NOTE BY TERMINAL OPERATOR AND PAYMENT	RECEIPT OF ALS BY TRAFFIC DEPT
ISSUANCE OF T.D.O. BY COMMERCIAL DEPARTMENT	ISSUANCE OF T.D.O. BY BONDED TERMINAL	LOADING FOR SCANNING
RECEIPT OF T.D.O. BY TRAFFIC DEPT	ECEIPT OF T.D.O BY TRAFFIC TRAFFIC DEPT	SCANNING & INSSUANCE OF D.O
LOADING / DOCUMENTATION	LOADING / DOCUMENTATION	MAIN GATE CONTROL & EXIT
MAIN GATE CONTROL & EXIT	MAIN GATE CONTROL & EXIT	

NOTE

A. NPA will be at the scanning points to facilitate clearance time.

B. A sample (some containers) of the cargo of ships stemmed to B.W.H. is to be scanned.