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Ocean Transportation Industry Update

There are several factors that have had an impact on ocean freight rates over the last year. While these variables are always fluctuating and having an impact on the rates that ocean lines charge. We are normally able to maintain rates that we present to our clients by negotiating with our carriers to minimize or eliminate increases all together. Additionally, there is normally a standard schedule that the ocean lines adhere to with regard to rate changes.

- There is a General Rate Increase (GRI) announcement in May for a June implementation.
- The Peak Season Surcharge (PSS) is announced in May also for a June implementation.
- There is a second PSS announced in early Fall to account for the holiday season.

In the last year there has been much more volatility in all of the variables that impact rates. This has affected the "schedule" of rate change and ultimately consistency of rates. The variables are as follows:
<http://www.wtsacarriers.org/markets.html>

- Fuel Prices
- Ocean Freight Vessel Capacity
- Equipment Availability
- Regulatory Changes

Fuel Prices have had an impact on all of the other Variables that effect ocean freight rates. Oil has gone from \$65.00 a barrel to \$140.00 in about a year. Carriers have had to respond In turn. Zim Container Lines for example has changed their fuel surcharges at least 9 times in the same time period. The container ocean freight industry has added two new surcharges that pertain to Fuel. An Emergency BAF and a Low Sulfur Fuel Surcharge have been added. The Trucking Industry has increased their fuel surcharges from 22% in early 2007 to a current charge of over 42%.

<http://www.financialexpress.com/news/Slump-may-ease-global-ocean-freight/329170/>

<http://www.transportweekly.com/pages/en/news/articles/51593/>

Ocean freight vessel capacity has been reduced or diverted by the carriers in an effort to respond to changes in the global market. The increase in exports from the USA due the weak USD is one factor. As a result of this change it has difficult to get bookings or space on vessels. In order to get freight booked and shipped shippers have had to consider paying extra. Reduced supply has increased demand and pricing along with it. As a result, the negotiation of the GRI and PSS has been prolonged and announcements of these changes have been delayed. Not only has pricing been gone up it has been difficult to obtain. Ocean

lines have taken the position that they will not provide a rate if they do not have space and if they can't provide space with out a rate.

<http://www.bloomberg.com/apps/news?pid=20601109&sid=aYsNUycqIHPC&refer=home>

http://news.thomasnet.com/IMT/archives/2007/05/the_big_boom_freight_rates_congestion_capacity_and_trade.html

Equipment availability has been a compounding issue. In some circumstances where the ocean lines have had space, there have been no containers available. Again, reduced capacity has increased demand and pricing with it. If there is no equipment there will be no rate provided.

<http://www.wtsacarriers.org/markets.html>

Regulatory changes are also beyond any one's control and can come at any time. All new regulations come with a price. The issues of our time have caused a substantial increase in regulatory activity impacting the transportation industry. The concern of terrorist attack has spawned new security regulations. The x-ray of containers or Vacis Exam is one example of increased security. The concern over global warming has also had an impact on regulatory implementation. As mentioned earlier the Low Sulfur charge is an example of environmental regulation.

<http://www.scag.ca.gov/eVision/detail.cfm?id=450>

The PMA issued the following press release. Negotiations are continuing.

PMA Statement on West Coast Waterfront Labor Negotiations

SAN FRANCISCO (July 1, 2008) -- The Pacific Maritime Association, whose 71 member companies include cargo carriers, terminal operators and stevedores on the West Coast, issued the following statement today regarding the progress of negotiations on a new waterfront labor agreement:

The PMA is working hard to resolve the remaining issues in contract negotiations with the International Longshore and Warehouse Union (ILWU). These talks continue to move forward, and our focus remains on reaching a new West Coast waterfront labor agreement that is fair and reasonable to both parties.

Both PMA and ILWU have previously stated their commitment

to resolving outstanding issues at the table and to keeping West Coast Ports running smoothly. We affirm that commitment, and we are prepared, if necessary, to continue talking after the current six-year labor contract expires at 5 p.m. PST today.

Keeping the ports open, productive and secure are critical to the American economy. The West Coast ports generate almost \$1.3 trillion in domestic business impacts – representing 11 percent of total U.S. gross domestic product – and support more than 8 million direct and indirect U.S. jobs.

The contract covers wages, benefits and conditions of employment for the more than 26,000 ILWU members and identified casuals working at 29 West Coast ports in California, Oregon and Washington.

Customer Advisory: BNSF Prohibited Hazardous Intermodal Shipments July 9, 2008

Please be advised that BNSF has a new listing of prohibited commodities that cannot be accepted by BNSF. The listing includes poisonous gas, flammable, non-flammable tank commodities that will no longer be accepted with or without Department of Transportation exemption or Federal Railroad Administration approval. There are different categories for Trailers and Containers, and Tank Containers.

This new ruling is effective July 1st, 2008.

Please find below a link to the BNSF site showing the list of prohibited hazardous Intermodal shipments

http://www.bnsf.com/markets/intermodal/hazardous_prohibited.html

http://www.bnsf.com/markets/intermodal/hazardous_prohibited.html

Wind Damage in Juneau, Alaska



Rough Weather in the Mediteranean



Zim Lines PSS

Zim Lines PSS from July 15 is US\$225/20', US\$300/40' and US\$350/40'HC.

Transshipment Service Available for Chinese Bound Dangerous Goods.

Commencing immediately, **no dangerous goods will be accepted to any Chinese port with the exception of Hong Kong**, we expect normal operations to resume with vessel's having an ETA after 31 August 08.

DG bookings transshipping Hong Kong to S. China ports will be accepted on a case by case basis. Some feeders servicing Hong Kong to S. China ports are accepting DG.

Most DG Applications, in the USA will need to be submitted to Hong Kong carrier T/S Department for their approval. Turn around time obtaining their approval is 1 - 3 days. DG discharging directly at Hong Kong will be handled based on Hong Kong port restrictions.

Transshipment Port Update:

Many world transshipment ports are experiencing severe delays. BDG will be providing congestion and delay information on quotations as we learn of the issues.

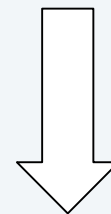
AES UPDATE

The U.S. Census Bureau has issued the final rule, which is requiring mandatory filing of export information through the AES or AESDirect systems, where Shipper's Export Declarations are required, effective July 2, 2008. There will be a 90-day implementation period, which ends September 20, 2008.

The new regulations, published in the Federal Register on June 2, 2008, have tougher penalty provisions that affect everyone in the export process. Penalties may be imposed per violation of the Foreign Trade Regulations (FTR) from \$1,100.00 to \$10,000.00 both civil and criminal. Anyone submitting paper SED's after September 30, 2008 will be in violation and subject to penalties. For more information on the rule visit: www.census.gov/foreigntrade/aes/mandatory/index.html

BDG International has been filing all Shipper Export Declarations Electronically since 2005.

BDG International Project Services





BDG INTERNATIONAL, INC

SERVICE ANNOUNCEMENT



Origin: Antofagasta
Destination: Houston
Oil Field Equipment
38 Pallets
Dec 2007



Origin Broussard, LA USA
Destination, Jebel Ali, UAE
Water Treatment Equipment
2 Pcs / 61 CBM
March 2008



Origin: Jacksonville, FL USA
Destination: San Juan, Puerto Rico
Garbage Truck
1 Truck / 100 CBM
April 2008

Project Cargo

- Engineered Trucking
- Heavy-lift Cranes and Forklifts
- Escort Services
- State Permitting
- Route Surveys
- Lowboys, Mafi's, Flat Racks,
- Break Bulk, Ro/Ro, On or Below Deck
- Aircraft Charters: Antonov, Airbus, Boeing

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