



ArcelorMittal

newsletter

June, 2010

Shared Services

Shipping and Logistics Newsletter



New Incoterms for commercial transactions

Extracted from the Fiata Review Magazine no. 82 of May 2010

You probably know that Incoterms are a series of sales terms, published by the International Chamber of Commerce (ICC) for use in International commercial transactions. The first edition was published in 1936 and the current version is Incoterms 2000. Towards the end of this year the latest edition, Incoterms 2010, will be published.

The revision process began at the start of 2008 and the drafting group has met on eight separate occasions for 14 days. Currently the group has considered over 140 pages of line-by-line comments from 25 National Committees of the ICC and the third draft has recently been released and considered by both the National Committees and other interested parties.

FIATA has been a regular contributor to Incoterms meetings held by the ICC and we have studied and reacted to proposed changes as each draft has been published.

Currently the schedule is to publish Incoterms 2010 in the last quarter of this year with the new terms to be effective from January 1st, 2011.

SO WHAT IS NEW?

The potential for contracting parties to be required to supply security related information to each other and the carrier is addressed.

There are likely to be new guidance notes in a designated section with selected definitions and explanations of concepts applying throughout the terms. As well as this there will be guidance on the practical consequences of using each Incoterm.

The existing preambles to each term will be reformatted and clarified. The aim of this is to better serve as a means of informing users of Incoterms of their intended use, e.g. stating that FCA may be more appropriate than EXW for international trade, or that FOB is probably not appropriate for container traffic.

Another new feature of Incoterms 2010 is the classification. Incoterms are to be divided into categories: Terms for any Mode of Transport or Maritime only terms.

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This is intended to further assist Incoterm users in identifying the correct term for their particular requirements.

THERE IS A NEW INCOTERM, DAP

The new DAP term, Delivered at Place, merges the former less popular DAF, DES and DDU terms, which contained significant areas of overlap. Delivered at Place means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport, ready for unloading by the buyer at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named place. DAP is intended to be used for both domestic and international sales and it is aimed to create a delivery term that can be used in domestic/intra EU trade without causing confusion.

CONCLUSIONS

There are probably no major issues for freight forwarders in Incoterms 2010 although with Ex Works, FOB and CIF it is likely that shippers will keep their traditional meanings and adapt them for air carriage and container shipping. The ICC is aware that there needs to be a major educational programme to educate traders.

You should be able to purchase Incoterms 2010 later in 2010 from your National Branch of the International Chamber of Commerce or from an online bookseller.

By Robert Keen
British International Freight Association Bifa
Chairman Fiata Working Group Sea..

Flexibility of time chartered vessel

An emergency order of 66 steel coils for 400 mt had to be delivered from ArcelorMittal Montataire (France) to an Irish customer in Kilkenny.

For this customer, delivery is usually arranged by trailer trucks from Montataire to the port in Dunkirk and from there to Dublin in Ireland on a ro/ro* ship for final delivery to Kilkenny.

The challenge with the transport of these 66 coils was not only that the delivery was very urgent, but also that the tonnage was too much for the usual trucking route and too little to justify a spot vessel*.

The solution proposed by ArcelorMittal Logistics was to load this cargo at Dunkirk on board mv "Sea Riss", together with another cargo of steel coils and steel sheets in bundles bound for Northfleet (UK), and to make a second discharge call in Ireland.



The "Sea Riss" is one of the seven time chartered vessels operated by ArcelorMittal Logistics, and one of four vessels equipped with cradles which makes this ship very suitable for the transport of coils.

Usually the "Sea Riss" is used for the transport of steel from Dunkirk to the English ports of Northfleet and Boston.

Under the coordination of ArcelorMittal Logistics, the cargo was loaded in Dunkirk on May 14th and discharged at Waterford on May 17th and delivered by truck to the entire satisfaction of the customer in Kilkenny.

This operation shows that operating a fleet of time chartered vessels offers a high degree of flexibility and can result in a reduction of the overall supply chain cost.

Together with the quality of the service offered by ArcelorMittal Logistics, this degree of flexibility at lower cost is the reason for ArcelorMittal Montataire to have expressed their desire to have their next shipment to be arranged in the same way.

* **Roll-on/roll-off (RORO or ro-ro)** ships are vessels designed to carry wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers or railroad cars that are driven on and off the ship on their own wheels. This is in contrast to lo-lo (lift on-lift off) vessels which use a crane to load and unload cargo.

* **Spot vessels** : vessel chartered specifically for one voyage only.

May Exports from Richards Bay back to 2007 - 2008 levels

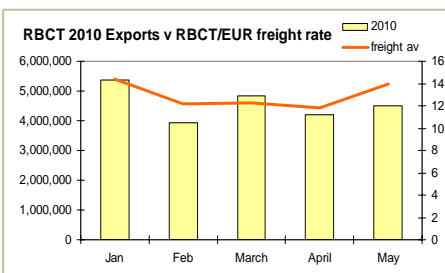
Coal exports from Richards Bay for May grew by 7% month over month and almost 20% year over year. A total of 4.49m tons was exported from the single largest coal terminal in the world in May, bringing it close to the 4.5m tons exported in May 2007 and 4.7m tons exported in May 2008.



The average exports for the year to date fall at 4.5m tons compared to the 2009 average (Jan-May) of 4.49m tons.

The freight rates from RBCT (Richards Bay Coal Terminal) to Europe have followed the export figures closely on a monthly basis. The average freight rate for May was 13.96 \$/ton up from 11.85 \$/ton in April. 60% of cargo in May was shipped on Capes, 19% on Panamax, 14% on Supramax and 8% on Handymax. Port Congestion has remained low throughout 2010 so far.

Richards Bay was expected to export 65m tons this year, but the Transnet strike mentioned in last month's newsletter means that that figure will be somewhat lower. Most of the exports from RBCT (South Africa) are supplied to Europe or Asia, with 1.32m tons of 4.49m tons being shipped to India in May.



Handling of Slagpot

A 20 ton slagpot, which has been manufactured by Dillinger Hüttenwerke in Germany arrived at the port of Antwerp by barge "Inachos".

Very special care was taken during the discharging so that all kind of damages were avoided. It was important to make sure this very expensive slagpot (60.000 €) didn't swing during its transfer from the ship onto the quay.



The slagpot was placed onto timber/ wooden planks to avoid any contact with the ground as this could have caused dents and scratches.

This kind of large and heavy object requires special care whilst loading/unloading and ArcelorMittal Logistics Belgium therefore takes all necessary arrangement and precaution well in advance to make sure there are no unforeseen problems on either operational (sufficient space) as on administrative level.

Sheetpiles

ArcelorMittal Logistics Belgium, with the close collaboration of a local stevedoring company, took necessary measurements to make sure that a shipment of well over 2400 tons of sheetpiles was stored in the best possible conditions.



Upon arrival by railcar at the port of Antwerp, the different types of sheetpiles, such as AU double and AZ double and varying in length from 15 m to 25 m, were discharged using suitable forklifts, as described in our handling recommendations. All the sheetpiles were then stored by type and size on a flat and even surface using timber planks, thus avoiding contact with the ground.

When the goods were discharged from the railcars, easy to handle hoists were used for loading them into the sea vessel.

These precautions, which are a day-to-day reality at the Port of Antwerp, guarantee a minimum time spent and the receivers can continue their project in Pecem – Brazil upon receiving these sheetpiles.

Partnership in Italy

ArcelorMittal Logistics Italia is pleased to announce that, starting June 2010, the current partnership with the ArcelorMittal Distributions & Solutions' (AMDS) mills of Monza, Marcon, San Giorgio di Nogaro and Rieti will be extended to include AMDS mills located at other Italian areas, such as:

- * AMDS, division Sitek in Leini (Torino)
- * AMDS, division Sitek in Piombino (Livorno)
- * AMDS in Calderara di Reno (Bologna) and Ravenna.

All the plants are provided with a full logistic service for the transport of their finished products, which are shipped, principally by normal trailers, coil-trailers and also special convoys able to load steel plates up to 3000 mm of width and more, for distribution throughout Italy.

AMDS will benefit from a reduction on previous transport costs, which vary from of about 22% (Leini), 7% (Bologna and Ravenna) to 4% (Piombino).

Whether it is a question of very heavy reels (up to 35/40 tons per coil), very long girders (up to 24 meters), or small shipments (general mixed cargo), ArcelorMittal Logistics Italia is structured in such a way that any type of requirement on the part of the principal is met.

This article can be the occasion to remind you that ArcelorMittal Logistics Italia principally specializes in the transport and distribution of steel products such as coils ((black, pickled, stainless steel), flat steel on a deck (tin plate, pre-varnished or zinc steel, stainless steel), wire rods, steel plates, beams, sections, scrap or industrial waste.

Liege / St. Petersburg: Logistics makes it possible

ArcelorMittal is starting its first deliveries for the Russian automotive market. For this reason, both the ArcelorMittal Logistics and ArcelorMittal Purchasing teams have put in place a complete logistics organization for the mill of Liege (Belgium) in order to make this project possible.

1800 tons sized coasters will load steel at the inland port of Liege with direct sailings to St. Petersburg in Russia. At the port of destination our partners, together with the port terminal CCTL and forwarder Asstra, will provide full coordination of our cargoes: from discharging the vessel through skidding and storage till redelivery to the final customers.

Hyundai – Kia began building a US\$ 450 million plant near St. Petersburg in June 2008. The new plant will have an initial annual production capacity of 150,000 vehicles. The automaker is planning to raise its annual car production to 300,000.



Meetings with Dunkirk Port Management

ArcelorMittal Logistics Dunkirk organized meetings on April 19th and June 2nd with ArcelorMittal Dunkirk (steel products, raw materials), GTSI (steel plates) and the main representatives of the Port Authority.

Those meetings were proposed and set up by ArcelorMittal Logistics in order to present and discuss with the Port some key files raised by the mills concerning - for instance - the performance of port services, costs reduction as well as railway infrastructure investments.

According to the mills, this second meeting, held on June 2nd, was quite constructive. ArcelorMittal Dunkirk, GTSI as well as Mrs. Bonny, the Chairwoman Executive Committee of the port,

Mr. Orsoni, the General Director of ArcelorMittal Atlantique and Mr. Moyersoen, the CEO of ArcelorMittal Logistics took active part in this meeting, which led to its positive outcome.

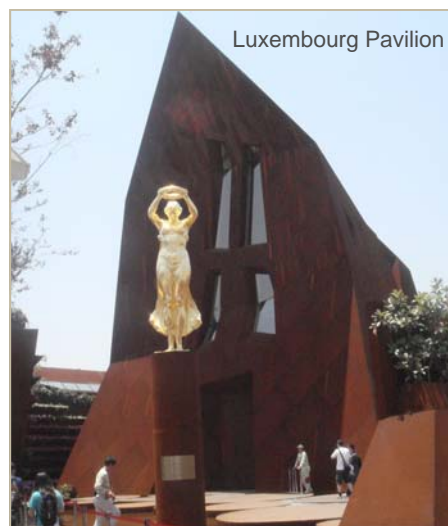
Between all parties concerned it was agreed to maintain regular contacts between ArcelorMittal and the Dunkirk Port Authority through similar meetings or when working in dedicated working groups.

ArcelorMittal Logistics accepted the role as animator of these meetings in order to make sure contacts will be maintained.

Shanghai Expo

More than 130 staff members of ArcelorMittal China gathered together on May 30th at the Shanghai Expo sights.

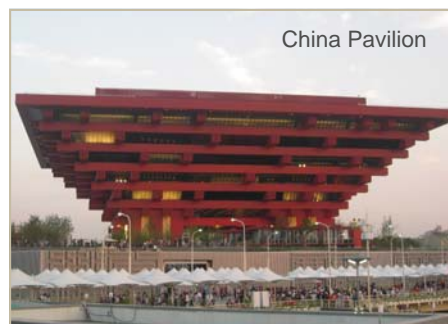
ArcelorMittal, one of the sponsors of the Luxembourg Pavilion, provided about 500 mt of Corten Steel for the surface of this whole building. ArcelorMittal Logistics took care of the shipping transportation from Fos-sur-Mer in France.



ArcelorMittal China launched the "ArcelorMittal China 'Green Expo' Photography Competition" at the Luxembourg Pavilion. The pictures from this photography competition are shown via the following link on the ArcelorMittal China website:

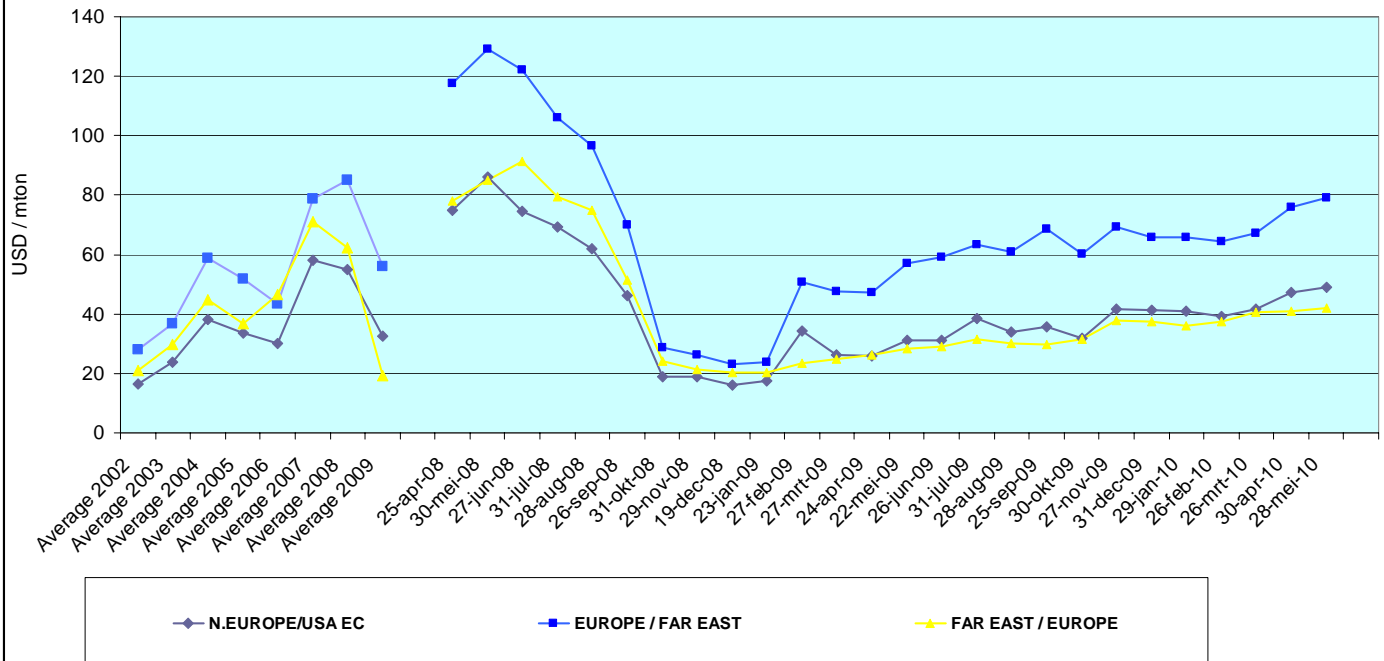
<http://www.arcelormittal.com/china/>

After the Photography Competition launch ceremony, the ArcelorMittal staff visited the Luxembourg and China Pavilion together and felt the fascination of the Shanghai World Expo.



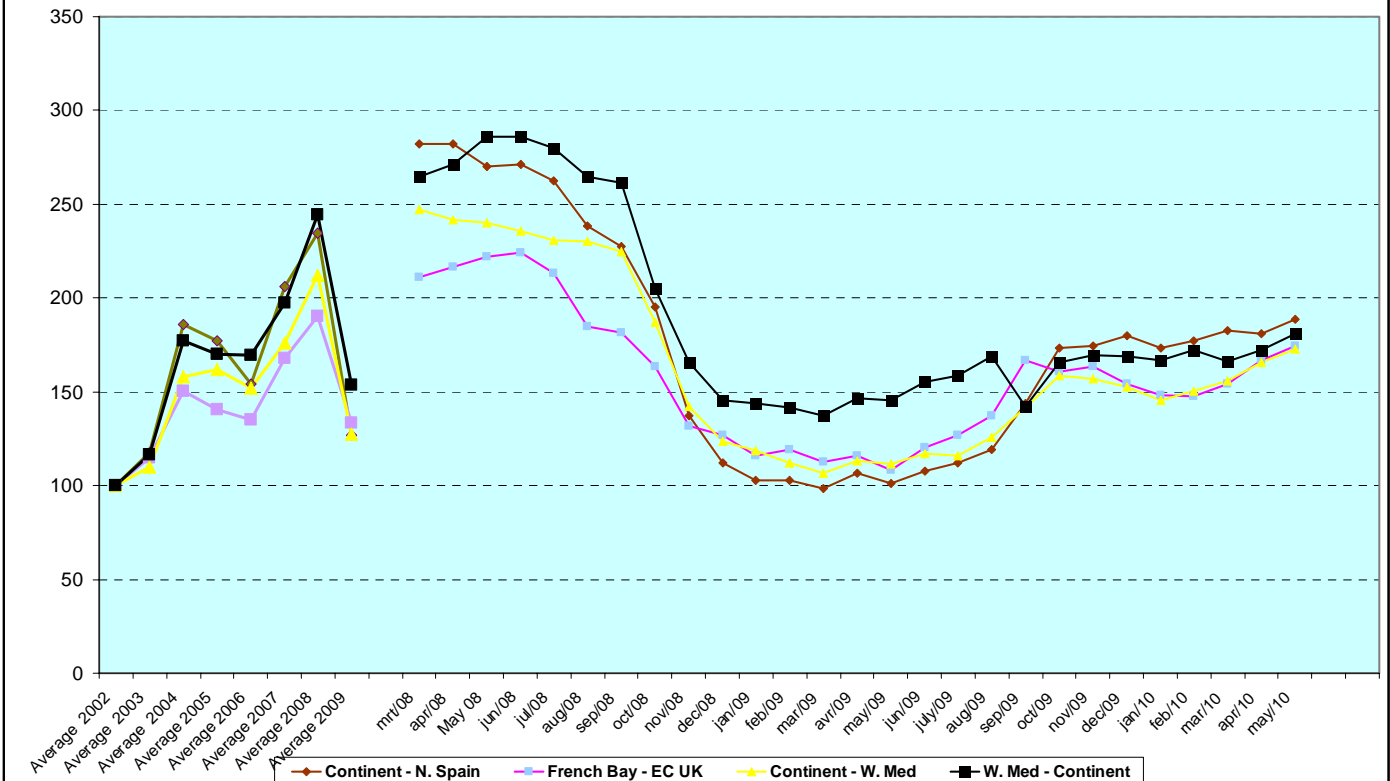
Deep sea and short sea freight trends

Evolution FIOS rates in major trade routes



Market rates increased slowly in May. It is not clear for the moment if the summer period will cause the rates to go down, or if the activity will remain important enough to keep the rates going up.

Evolution Short Sea Freight rates (2002 = index 100)



In the container sector we notice that container yards in the ports are becoming rather empty, confirming the high activity. Container shipping lines are pushing for higher rates. But vessels are kept on slow steaming programs.