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## Bill Introduced to Require 100% Screening on Cargo Aircraft

On November 16, 2010, Congressman Edward Markey of Massachusetts introduced into the House of Representatives a bill "to improve air cargo security" requiring 100 percent screening of freight transported on all-cargo aircraft.

H.R. 6410, or the "Air Cargo Security Act," would require systems to be established for the inspection and screening of cargo traveling on all-cargo aircraft "operated by an air carrier or foreign air carrier in air transportation or interstate air transportation." The bill would also mandate that the screening for cargo intended for all-cargo aircraft "provide a level of security commensurate with the level of security for the screening of passenger checked baggage."

The bill is in response to the recent thwarted attempt by Al Qaeda terrorists based in Yemen to ship explosives on freight carrying aircraft, and seeks "to ensure that cargo planes do not become a delivery device for bombs meant to harm our nation," Markey said.

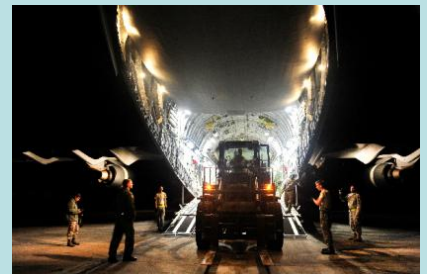
If enacted, the Department of Homeland Security will need to develop a system to screen 100 percent of freight transported on all-cargo aircraft within three years, with half of the cargo screened within 18 months. It also would establish a system for the regular inspection of shipping facilities for shipments of air freight transported on all-cargo planes for purposes of ensuring that appropriate security controls, systems, and protocols are observed.

U.S. agencies would also be required to enter into arrangements with foreign government authorities to ensure that inspections are conducted on a regular basis at shipping facilities for cargo transported in air transportation to the United States.

**Please note that although the bill has been introduced, it is not yet in effect. As of November 19, 2010, this bill has been referred to Committee.**

*"Al Qaeda continues to put aviation at the top of its terrorist target list, and our nation must close the cargo loophole that continues to put lives and our economy at risk. The recent Yemen bombing plot demonstrates that Al Qaeda is turning its attention to less protected all-cargo aircraft. Accordingly, we must respond through strengthened security measures."*

**Edward Markey**  
Massachusetts Congressman



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## New Incoterms 2010

The International Chamber of Commerce (ICC), perhaps the foremost organization in the world that attempts to increase economic growth on a global basis by promoting opportunities through international trade, recently announced revisions to its Incoterms – a set of rules used by many buyers and sellers to structure sales terms for both domestic and international transactions.

First published by the ICC in 1936, Incoterms (an abbreviation for International Commercial Terms) have gained universal recognition as the standard for defining the risks, costs, and obligations of the buyer and seller in various terms of sale.

The ICC has changed the Incoterms to accommodate:

***Use of electronic communication that has become prevalent in the course of doing business initiatives by government authorities that increase security throughout the shipment lifecycle increased use of customs free zones***

In the new Incoterms 2010, we see:

- A total of eleven Incoterms instead of thirteen
- Creation of two new Incoterms (DAT – Delivered at Terminal and DAP – Delivered at Place)
- Elimination of four Incoterms (DEQ – Delivered Ex Quay, DAF – Delivered at Frontier, DES – Delivered Ex Ship, and DDU – Delivered Duty Unpaid)

### The new Incoterms 2010 are grouped into two categories:

#### INCOTERMS 2010: for any mode of transport

EXW – Ex Works  
 FCA – Free Carrier At  
 CPT – Carriage Paid To  
 CIP – Carriage and Insurance Paid To  
 DDP – Delivered Duty Paid  
 DAT – Delivered at Terminal [replaces DEQ – Delivered Ex Quay]  
 DAP – Delivered at Place [replaces DAF – Delivered at Frontier]

#### INCOTERMS 2010: only for non-containerized shipments moving via sea and inland waterway transport

FAS – Free Alongside Ship  
 FOB – Free on Board  
 CFR – Cost and Freight  
 CIF – Cost, Insurance, and Freight

**Incoterms® 2010**  
 by the International Chamber of Commerce (ICC)

ICC rules for the use of domestic and international trade terms



**ICC**  
 International Chamber of Commerce  
 The world business organization

Though Incoterms 2010 will become effective January 1, 2011, it is not mandatory to begin using them in 2011. The ICC will not offer translations of Incoterms 2010 into languages other than English until mid-2011 so adoption of Incoterms 2010 by trading partners in some countries likely will be delayed.

Visit [http://www.iccwbo.org/incoterms\\_faq/](http://www.iccwbo.org/incoterms_faq/) on the Web site of the ICC for additional information on Incoterms 2010.

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# Canada High Speed Rail is Awarded Funding

This year, the Canada High-speed rail, which promises to revolutionize our transportation system in numerous ways has been awarded \$8 billion in stimulus grants and \$2.5 billion in Canadian Federal appropriations funding. There are hurdles to overcome, including extra steps required to ensure safety in a high-speed environment. But with greater cooperation between freight and passenger railroads, many Canadian experts believe that high-speed rail will help expand Canada's economy, save fuel, cut carbon emissions and rival that of the interstate highway system.



Here are some ways high speed rail will impact the freight industry:

## 1. Improved Rail Infrastructure

*In many of the planned high-speed rail corridors, freight railroads will share the right-of-way with high-speed passenger trains. Expedited upgrades to accommodate high-speed trains will include improved track and signal infrastructure - such as double-tracking and positive train control - much of which will greatly benefit freight railroads.*

## 2. Upgraded Locomotives

*Higher speed capabilities offered by track and signal upgrades will create demand for technological improvements to locomotives and cars that enable them to travel at faster speeds. This upgraded rolling stock will constitute a crucial element in the ongoing evolution of freight delivery technology.*

## 3. More capacity, More revenues, More employees for freight railroads

*The infrastructure and technological improvements that emanate from high-speed rail will lead to increased freight capacity for freight railroads, enabling them to increase their revenue and hire more employees.*

## 4. More Capacity for Trucking Companies

*The greater capacity of freight railroads will enable them to carry more intermodal containers in certain corridors. This will increase the freight capacity of motor carriers and railroads, giving them the potential to attract more business.*

## 5. New Players in Freight Hauling

*Some high-speed passenger train operators might seek to haul freight such as mail and parcels, as occurs in some areas of Europe. This would require changes in current agreements between freight and passenger operators, as well as changes in certain labor agreements.*

## 6. Cost-sharing Benefits

*Freight railroads will benefit from agreements that require passenger train operators, and in some cases state departments of transportation, to share in the cost of infrastructure maintenance once upgrades are in place.*

## 7. Blending of Corporate Cultures

*For many years, freight railroads and passenger railroads to a great extent have operated in their own worlds, steeped in their own corporate cultures. Cooperation has not always come easily. The increased cooperation that will result from the sharing of high-speed corridors will result in a sort of blending of corporate cultures. Greater cooperation will lead to ideas and innovations that will benefit the freight industry, passenger train operators and the public, reminiscent of the glory days of high-speed steam passenger trains operated by freight railroad companies.*

## KWE FYI

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



### TIACA, IATA, FIATA and GSF to Form Industry Advisory Group

Four organizations have signed a letter of intent committing to work towards the formation of an industry advisory group facilitated by TIACA to ensure the air cargo industry has a strong, unified voice in its dealings with worldwide regulatory authorities and other bodies whose decisions directly impact on air cargo.



The agreement commits The International Air Cargo Association (TIACA), the International Air Transport Association (IATA), the International Federation of Freight Forwarders Associations (FIATA), and the Global Shippers' Forum (GSF) to work together to look at their current positions on issues such as security, customs reform, e-commerce, and the environment and to try to find common ground to best protect and promote the interests of the air cargo industry, the organizations and customers.

The review will also look at the associations' respective resources committed to industry affairs and consider how to make the most effective use of the existing and growing relationships that TIACA, GSF, FIATA and IATA have with relevant government departments and other regulatory bodies.

The associations will also discuss the involvement of other global industry groups in the air cargo supply chain and seek the support of bodies such as the World Customs Organization (WCO).

Michael Steen, Vice Chairman of TIACA, stated that, collectively, the four organizations represent the most powerful grouping of all parties involved in the air cargo supply chain. "We all share a common goal to protect our members against costly and sometimes unnecessary changes in legislation and to have a practical input into any future regulatory challenges before they become mandatory. We want to have the strongest possible voice when it comes to highlighting to policy makers the vital role air cargo plays in world trade, in employment, in consumer choice and in the growth of developing markets."

Giovanni Bisignani, IATA's Director General & CEO, commented: "The industry is working together to improve efficiency with programs like IATA e-freight but governments have not always received clear signals from industry on what is needed for efficient global air cargo operations. A strong and unified industry voice with the Global Shippers' Forum is a step in the right direction. We cannot be successful without an effective regulatory environment. We have been proactive in representing the airline industry and we would have a great deal to offer to a wider group representing the interests of the entire air cargo supply chain and customers. "

## Carrier News

### Lufthansa Cargo To Establish Pharmaceuticals Hub at Hyderabad Airport



**Lufthansa Cargo and GMR Group**, the operator of Rajiv Gandhi International Airport at Hyderabad, have announced their intention to jointly develop the airport into the key cargo hub in South Asia for the transport of temperature-sensitive pharmaceuticals.

A modern infrastructure will be established at the Rajiv Gandhi International Airport to meet the complex requirements of reliable, temperature-controlled transport solutions. Customs procedures at the airport will also be speeded up in order to guarantee faster transport.

Under the terms of the partnership, Lufthansa Cargo will provide the capacity for the transport of temperature-sensitive cargo and will station its own fleet of cooling containers in Hyderabad.

According to Martin Schlingensiepen, vice president of Product Management at Lufthansa Cargo, India is currently the world's largest market for generics, and the demand for temperature-controlled transport will continue to grow substantially in the coming years.

The transport of temperature-sensitive cargo places great requirements on airlines as well as on airports. While outside temperatures at airports may range from -30° to +40° Celsius, the temperature inside the container may only fluctuate minimally in order not to damage the sensitive freight. This calls for a modern infrastructure at airports, high-performance cooling containers and reliable processes.

### LAN Cargo Expects Significant Growth in Air Cargo

**LAN Cargo** expects its cargo business to grow 20 % in 2010 and a further 13-15 % in 2011. As a result, the company is leasing three B767-300Fs and purchasing two more B777 freighters. The first B767F arrived in November, a second will be delivered in December and the third in January 2011. The new B777 freighters will begin operations in the fourth quarter of 2012.

By the end of 2012, LAN Cargo and its Mexican Mas Air and Brazilian Absa subsidiaries will operate ten 767-300F, four 777F and two leased B767-200 freighters. The expanded fleet will allow Mas Air to increase traffic between Mexico and the U.S., and Mexico and South America.

Citing a strong recovery in its cargo and passenger business, LAN Airlines reported net income of US\$106.2 million in the third quarter 2010, an increase of 103.9 % compared to the same period a year ago. Total revenue for the period was \$1.15 billion compared to \$917.5 million in the third quarter of 2009. Cargo revenue increased 49.4 % in the third quarter and contributed 28 % of total airline revenue.

### Hong Kong Airlines Expanding It's Long Haul Network

**Hong Kong Airlines** has ordered 10 A330-200 aircraft from Airbus, with delivery beginning in 2012. The carrier also has converted an existing order for 15 A330s to A350 XWB aircraft, which will be delivered in 2018. Airbus is now under contract to provide 33 wide-body planes to Hong Kong Airlines as well as 30 single-aisle A320 aircraft.

"Today's announcement underscores our plan to operate an extensive long-haul network. The A330-200 is the perfect platform for us to develop these services, while the all-new A350 XWB will become our new flagship toward the end of this decade." Yang Jian Hong, president of Hong Kong Airlines, said in a statement.

Hong Kong Airlines said it will use the planes to develop routes linking cities in North America and Europe to Hong Kong.

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

WESTBOUND (from USA to Asian destinations)				
	October 01 through December 31, 2010			
	20' dry	other dry	20' reefer	other reefer
<b>BAF – West Coast</b>	402	503	566	708
<b>BAF – East Coast</b>	799	999	1064	1330
<b>IFC – Pure truck</b>	67	67	67	67
<b>IFC – Truck/Rail</b>	232	232	232	232
EASTBOUND (from Asian origins to USA)				
	October 01 through December 31, 2010			
	per 20'	per 40'	per 40HQ	per 45'
<b>BAF – West Coast</b>	278	348	392	440
<b>BAF – East Coast</b>	551	689	775	872
<b>IFC-Truck</b>	67	67	67	67
<b>IFC-RIPI</b>	116	116	116	116
<b>IFC-IPI</b>	232	232	232	232

## December Holiday Schedule

16	Day of Reconciliation – South Africa	Skeleton staff
24	Christmas Eve	
25	Christmas Day	All offices closed
28	Boxing Day – Canada	All offices closed
31	New Years Eve	

***Please contact your local KWE office for special hours and staffing during the Christmas and New Years Holiday***