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Industry Update

July 2010

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KWE ME (Middle East) is a Free Trade Zone company located in Dubai Airport Free zone. With a staff of 22, KWE can provide 3PL, import and distribution services on behalf of any company which does not have a physical presence in the region. KWE ME has expertise in handling shipments to Afghanistan, Iraq and Iran utilizing Dubai as a transit hub.

To learn more about how we can service your logistics needs in this region, please contact marketing@am.kwe.com

Giant Cargo Airport Debuts in Dubai

Dubai World Central Al-Maktoum International Airport Opens for Cargo Traffic!

Dubai is now a very different place from the booming property and shopping-driven economy of just a few years ago. Much of its previous economic strategy now appears to have collapsed, with Dubai World, the principal government owned investment company, being forced to renegotiate its debts. Yet, with the opening of what some believe will become the world's largest cargo airport, Dubai seems resolute in its desire to build a vast logistics infrastructure,

The huge airport facilities include a 4.5 km A-380 enabled CAT-III runway and a cargo terminal with the capacity to handle 250,000 tons a year. A passenger terminal has also been completed and will open shortly with the ability to handle 5 million passengers a year.

In the long term, Dubai World Central is expected to handle 12 million tons of freight a year and up to 150 million passengers. The airport will have six runways and a facility ten times the size of the present Dubai International and Dubai Cargo Village combined. The cost of the entire development is estimated at over $10 billion and is scheduled to be built within 15 years.

Air Cargo Market Forecasted to Grow 18.5% in 2010

The International Air Transport Association (IATA) has announced that it expects airlines to post a global profit of $2.5 billion in 2010. This is a major improvement compared with IATA's previous forecast released in March of a $2.8 billion loss.

Airline industry revenues in total are predicted to be $545 billion in 2010, up from the $483 billion recorded in 2009. The 2010 forecast, however, is still below the $564 billion total in 2008.

Cargo traffic growth is expected to be 18.5%, significantly better than the previous forecast of 12.0%. First quarter 2010 growth rate was a very solid 26%. Market analysts have qualified that growth rate by emphasizing that much of the demand increase was related to re-stocking of inventory levels. After inventory levels have normalized IATA expects a more moderate growth rate to be driven by consumer spending.

IATA forecasts that cargo yields will grow by 4.5%. This is a significant improvement from the previously forecast yield growth of 3.1%. New capacity will be added to the global system as a result of the 1,340 aircraft that are scheduled to join the fleet in 2010. Of these, approximately 500 are replacement aircraft while the rest will be new capacity.

Over the year, IATA expects an average demand improvement of 10.2% in cargo to be met with a 5.4% increase in capacity. This will support load factors which remained near record levels for most of the first quarter and sustain continued improvement in air cargo load factors This also indicates that the balance between demand and supply will remain unbalanced, placing continued pressure on allocations.

"The global economy is recovering from the depths of the financial crisis much more quickly than could have been anticipated. Airlines are benefiting from a strong traffic rebound that is pushing the industry into the black. We thought that it would take at least three years to recover the $81 billion (14.3%) drop in revenues in 2009. But the $62 billion top line improvement this year puts us about 75% on the way to pre-crisis levels."

Giovanni Bisignani,
IATA's Director General and CEO

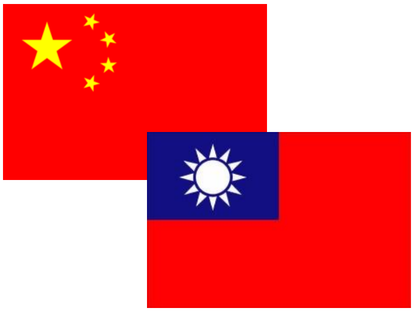
Canada Signs Free-Trade Pact with Panama

Canadian and Panamanian trade ministers signed a Canada-Panama free trade agreement that will grant access to Canadian firms assisting in a US$5.2 billion Panama Canal expansion.

In addition to lowering tariffs in a broad range of sectors, including creating new opportunities for the Canadian construction, manufacturing and agriculture industries, the pact will secure access to Panama's procurement market. This includes the $5.2 billion expansion of the Panama Canal, which the United States built between 1904 and 1914 and handed over to Panama in 1999. It is currently undergoing an expansion that would allow it to accept giant super-tankers capable of carrying as many as 12,000 containers.

Last year, Canadian merchandise exports to Panama totaled C$91.4 million (US$88.4 million), up 52% since 2005.

Historic Trade Deal Between China and Taiwan



After a civil war drove the 2 countries apart 60 years ago, Taiwan and China signed a historic trade pact on Tuesday, June 29th - the boldest step yet taken toward possible reconciliation between Taiwan and China.

The trade pact, known as the Economic Cooperation Framework Agreement, was signed by senior delegates in the Chinese city of Chongqing. The agreement is recognized as an important milestone and a commercial imperative during the emerging period of increased regional cooperation.

The signing of the agreement, which is the most comprehensive pact between the 2 countries, marks the culmination of a "Beijing friendly" policy promoted by Taiwan's president, Ma Ying-jeou.

Chiang Pin-kung, leader of the Taiwanese delegation, described the agreement as not only the most important milestone in the economic ties between China and Taiwan, but also a huge step forward in China's and Taiwan's economic integration and globalization policies.

China is Taiwan's largest trading partner as well as its largest investment destination. The economic development and cooperation between the countries has also resulted in China becoming home to a growing number of Taiwanese. It is estimated that about one million people from the island live in China, especially in the Shanghai area. Those residents, as well as thousands of short-term travelers, have access to 370 direct flights a week, whereas only a few years back all air travel had to arrive via Hong Kong.

The stream of people also goes in the opposite direction, with tourists from the mainland having made 344,000 visits to Taiwan from January to March - nearly double the figure for the same period last year.

The trade pact is expected to push interaction and cooperation between the two sides to a new level. The agreement will confer preferential tariffs, and in some cases zero tariffs, on 539 Taiwanese products from petrochemicals and auto parts to machinery - representing 16 percent of the island's total export value to China. In contrast, only about 267 Chinese items, or 10.5 percent of China's export value to Taiwan, will be placed on the "early harvest" list enjoying zero or falling tariffs.

President Ma's administration, in power since 2008, has said the pact will create 260,000 jobs on the island and boost growth by up to 1.7 percentage points.

General Rate Increase Effective July 2

As carriers continue to implement rate increases in their cost-recovery pursuits, we, at Kintetsu World Express, regretfully must follow suit and will implement the following increase on LCL cargo:

Effective	: 02-July-2010
Origin	: ALL USA
Destinations	: Europe/Mediterranean
Increase of	: $ 10 WM

As a reminder, we will implement the following increase for FCL cargo:

Effective	: 01-July-2010
Origin	: ALL USA
Destinations	: Europe/Mediterranean
Increase of	: $ 300/20' and $ 400/all other sized containers

KWE Establishes New Company in Yantai, China

KWE is pleased to announce the establishment of a new logistics company in the export processing zone of Yantai, Shandong province, China.

KWE, ahead of all its competitors , expanded operations into Yantai, Shandong province in September 2007 when Beijing Kintetsu World Express, Co., Ltd. opened a branch office there. However, in line with the expansion of bonded distribution services, it became necessary to establish a separate company within the Yantai export processing zone.

Aligned with KWE's medium-term 3-year management plan which commenced in FY2010, our goal is to strengthen our bonded distribution business in China. As in the past, KWE will continue to provide high quality bonded distribution services within China.

The Export Processing Zone is a bonded area that was established as a manufacturing hub for export use products supporting commissioned processing and manufacturing companies. Simplification and computerization of the import and export procedures for bonded goods including parts, raw materials and finished products create high convenience value.

Company Name	**Yantai Kintetsu Logistics Co., Ltd.**
Registered Address	**Customs Bonded Warehouse,B Zone, YanTai Export Processing Zone, No.50-2,BeiJing Middle Road, YanTai E.T.D.Z,ShanDong Province P.R.C.**
President	**Toshimichi Inamura**
Date Established	**May 15, 2010**
Business	**Warehouse operations within the export processing zone, general warehouse operations, packaging, customs clearance and other ancillary businesses.**
Warehouse Floor Area	**3,975m^2**

Canada Launches Air Cargo Security Plan

Government expects 100 percent shipment screening by 2015

Baird noted that 100% of the air cargo will be screened by the time the plan is fully implemented in five years.

"We have to have comparable security regimes, or frankly people go to the weakest link"

Canada will phase in 100 percent screening of air cargo under a new program that will include some US$90 million of funding to improve security for shipping at the country's airports.

Canadian Transport Minister John Baird said the program would also include training for companies on how to watch for security lapses in the supply chain, X-ray scanning and the addition of bomb-sniffing dogs.

"We must remember that terrorism is not just something that happens somewhere else to someone else," Baird said in announcing the program at Toronto Pearson International Airport.

Canada is launching its screening plan as shippers and carriers in the United States prepare for the last phase of a security plan that is supposed to have 100 percent of cargo shipments on passenger aircraft screened starting Aug. 1.
Although Baird did not disclose details of the Canadian program, it does not appear as stringent as the requirements in the U.S. - at least at the start.

KWE (Singapore) Receives TAPA Classification A Certification

Kintetsu World Express (S) Pte Ltd., a locally registered company within the KWE group is pleased to announce that its airport warehouse facility has received the highest level of certification “Classification A” from TAPA(Transported Asset Protection Association ASIA). Following on from the head office's Changi warehouse, this is the second KWE (Singapore) facility to receive this certification.

Since the first such certification of a KWE warehouse in Hong Kong in December 2001, the latest certification has brought the number of classification A facilities within the KWE group worldwide to 19.

KWE (Singapore) remains committed to providing logistics services of the highest quality to meet its customers’ needs.

Certification Date	**March 2, 2010 (Valid until March 2, 2012)**
Certifying Body	**TAPA ASIA (Transported Asset Protection Association ASIA)**
Assessment Body	**SGS International Certification Services Singapore Pte Ltd.**
Applicable Standards	**TAPA (Classification A) Freight Security Requirements FSR-2009 for our company's activities relating to the security of freight in transit**

Freight Volumes Still Outpacing Truck Capacity in the USA

Truckload capacity is so tight that even a slowing economy is unlikely to dampen rate hikes this summer, according to investment research firm R.W. Baird. Base on their July 1 study, Baird's transportation analysts suggest enough freight is heading to the U.S. from overseas to keep a diminished truck fleet rolling and truck prices headed upward, even if economic growth begins to slow.

The JOC-ECRI Industrial Price Index dropped 12.2 percent from late April through mid-June before inching up 1.6 percent in the two weeks ending June 25. Several trucking associations and indexes also show freight demand softening month to month.

However, inventory levels are still low and there are fewer trucks available. Truck fleet age remains at a generational low with below-replacement level sales continuing near term. Although carriers from J.B. Hunt Transport Services and Stevens Transport to Con-way Freight are replacing older trucks with new equipment, boosting Class 8 orders, they're not rushing to expand their fleets to match higher freight demand.

Analyst, Jon A. Langenfeld cited lean inventories, sold-out intermodal capacity, rising domestic contractual rates and solid June international ocean demand as a "downside buffer" for freight trends "assuming slower GDP growth materializes."
"Despite a cautionary sign of potential freight moderation, supply-related capacity constraints should continue to support improved truck pricing," he said.

Ocean shipping executive Frank Baragona, the CMA CGM (Americas) president told The Journal of Commerce he believes imports from Asia will remain strong at least into the peak-shipping season, with volumes increasing in September and October. Bookings and cargo projections for the next 60 days indicate there will be no drop-off in imports from Asia, said Baragona. That means more freight for truckers moving goods inland from U.S. ports and through retail distribution networks.

KWE FYI

KWE FYI is a new 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

Negative Impact of Global Container Shortage

The increasing global scarcity of shipping containers is compounding the well recognized problem of capacity shortages on global trade routes. Scarcity of containers is being reported throughout the industry, by shipping lines, forwarders and shippers alike.

A clear indication of the severity of the shortage is the latest report from agricultural exporters in the US. The exporters are reporting their inability to ship food products due to scarcity of containers. US farmers frequently are not able to secure containers, in addition to which securing a booking slot on a vessel can take as much as a month.

A recent statement from Maersk Lines asserts that the shipping line expects an "unprecedented shortage of equipment" over the next several months, leading into the onset of "peak season". Maersk has taken aggressive steps in an effort to ease the container shortage by directly buying containers rather than following the conventional industry practice of leasing the equipment.

While this has had some beneficial impact, Chinese container manufacturers are having difficulty meeting the escalating demand. Another strategy to be employed by Maersk as well as other shipping lines is to dedicate more resources to reposition containers to better match points of need.

In addition to the steep increase in demand for containers and ocean allocations, the recently adopted industry practice of "slow steaming" has exacerbated the supply / demand imbalance. Slow steaming, an effort by the steamship lines to reduce cost, results in reduced equipment availability because the containers spend more time aboard ship.

Prior to the current global business downturn there was a continuous flow of new containers which were immediately put into service to meet increasing export demand in China. The economic recession interrupted the container production and shipping cycle. Once interrupted, that cycle was not able to recover once global demand returned. The further growth of trade imbalance during the past 2 years also disrupted the normal recirculation and repositioning of containers, resulting in widespread equipment shortages in all regions.

Looking ahead, shortages are expected to continue, and to worsen significantly during the coming peak period. The long term solution will require that the leasing companies and shipping lines once again have access to a surplus of containers and can restore a reconciliation and repositioning system. Industry insiders suggest that the needed reconciliation and repositioning will be supported in part by future charges for the non-return of containers by shippers.

Carrier News

Cathay Pacific Launches Round-the-World Freighter Flight

Cathay Pacific Airways announced that it will launch its first round-the-world freighter service on July 9, offering its cargo customers a wider choice and at the same time helping to further develop Hong Kong's position as a leading international air cargo hub.

The airline has spent months developing the new route, which will initially be operated twice weekly, every Friday and Sunday, using a Boeing 747-400 freighter. The flight will leave Hong Kong and fly via Anchorage to Chicago. From there it will continue onward to Amsterdam and Dubai before returning to its Hong Kong hub.

The round-the-world flight is an extension of Cathay Pacific's existing service to Chicago– the airline currently serves the city with eight flights per week. In total, the round-the-world flight will take 44.5 hours to operate, including ground time to load freight.

Cathay Pacific also recently announced increased freighter frequencies to the southern U.S., with four weekly flights to Houston and a five-times-a-week service to Miami beginning July 2. The airline said the new frequencies are part of its bid to strengthen services to and from Hong Kong in response to the recent global upswing in air cargo markets.

Cathay Pacific, which generates about a third of its revenues from cargo, has ordered ten Boeing 747-8F freighters with deliveries starting in January 2011. The airline is also developing a cargo terminal at Hong Kong International Airport, due to come into operation in 2013.

Separately, Cathay Pacific Chief Executive Tony Tyler said he is confident a planned cargo joint venture with Air China would obtain regulatory approval by the end of the summer.

China Eastern Emerges in Chengdu

China Eastern is moving strongly into the territory of rival Air China by setting up a branch airline in Chengdu that it plans to equip with 30 aircraft by 2015. When the branch airline in Chengdu begins operations, China Eastern will then have routes to Southeast Asia, an express service to Shanghai and new direct flights to China's well-developed cities, which will exploit the expansion of the city's Shuangliu Airport.

The city of 11 million, at the western edge of China's heavily populated zone, is developing as the gateway for international air services to and from its region, covering well over 100 million people. It is also one of Air China's three main hubs along with Beijing and Shenzhen.

China Eastern's move serves two strategic purposes: it puts pressure on Air China, not on China Eastern's intended Skyteam partner, China Southern, and it minimizes competition from China's rapidly growing fast-train network. Since Chengdu is one of the most westerly of the big cities on the fast rail network, many major destinations are too far away for serious competition from trains. Beijing is about 1,500 km away and Shanghai 1,700 km. The city is also well placed as a hub for services to the sparsely populated territories of Tibet, Qinghai and Xinjiang, which the high-speed railways will barely enter.

UPDATE : Bunker Adjustment Factor (BAF)
Inland Fuel Charge (IFC)

WESTBOUND (from USA to Asian destinations)				
	July 01 through September 30, 2010			
	20' dry	**other dry**	**20' reefer**	**other reefer**
BAF – West Coast	420	525	591	739
BAF – East Coast	834	1042	1110	1387
IFC – Pure truck	70	70	70	70
IFC – Truck/Rail	243	243	243	243
EASTBOUND (from Asian origins to USA)				
	July 01 through September 30, 2010			
	per 20'	**per 40'**	**per 40HQ**	**per 45'**
BAF – West Coast	294	368	414	466
BAF – East Coast	582	727	818	920
IFC-Truck	70	70	70	70
IFC-RIPI	122	122	122	122
IFC-IPI	243	243	243	243

KWE hopes that everyone had a safe and enjoyable Independence Day Holiday!