



June 2011

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Freight Index Shows a Stalled Economy



A key measure of freight shipping in the United States slipped back 0.2 percent in May from the month before - a new sign that the economy is losing momentum heading into the summer.

Last week, the Cass Freight Index for shipments slipped back on a month-to-month basis for the first time since January following slim sequential expansion over the past three months.

The shipments index in May was 9.6 percent ahead of the same month a year ago, but even that marked the slowest year-over-year gain Cass Information Systems has reported in the monthly index since last July.

The increase comes as a wide array of government and private industry figures show the economic recovery is hitting what observers are calling "a slow patch", with measures from factory orders to rail commodity carloads flattening out or falling.

The economy is in a stall, and what remains to be seen is the extent of it. The economy began to weaken after the impacts of the federal stimulus diminished and contraction in the public sector has removed jobs and funds that went into the private sector. Manufacturers have responded to declining demand by slowing production and laying off workers.

U.S. shippers are paying more to move goods with the expenditures index in May up 29.9 percent over last year and 1.7 percent ahead of the April figure.

Japan and India Finalize FTA



On Aug 1, Japan and India will put a free trade agreement in place ushering in a new era of trade between the two giant economies by eliminating about 94 percent of import tariffs on most products moving between the countries.

Japanese Foreign Minister, Takeaki Matsumoto and his Indian counterpart, Somanahali Mallaiah Krishna came to an agreement during talks held in Budapest while attending a two-day meeting of foreign ministers from the 46 member nations of the Asia-Europe Meeting. The Japan-India FTA, formally called the Comprehensive Economic Partnership Agreement between Japan and the Republic of India (IJCPEA) was signed in mid-February after about four years of negotiations. However, the two countries had not agreed on a specific date for putting the trade pact into effect until now.

Japan and India are Asia's second- and third-largest economies after China. After 42 years, Japan lost its status as the world's second-biggest economy (after the United States), to China last year.

The Japan-India FTA will eliminate import tariffs on about 94 percent of trade by value within 10 years. According to Japanese government figures, Japan exported \$9.9 billion worth of products to India and imported \$6.2 billion worth of goods from the South Asian country in 2010.

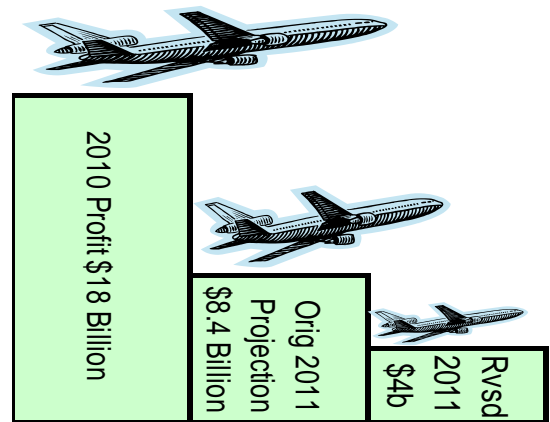
The FTA will be Japan's 12th such trade pact.

Airlines Cut Profit Outlook

The International Air Transport Association scaled back its 2011 industry profit forecast by more than half to \$4 billion from an estimated \$8.4 billion the industry group had projected just three months ago.

"Natural disasters in Japan, unrest in the Middle East and North Africa, plus the sharp rise in oil prices have slashed industry profit expectations," said Giovanni Bisignani, IATA's outgoing director general.

The \$4 billion collective profit forecast for 2011 compares with an estimated \$18 billion profit booked by IATA's 238 member airlines in 2010.



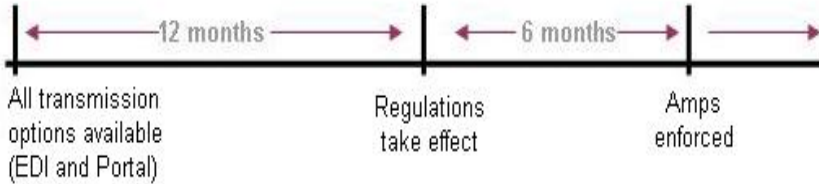
IATA cut its 2011 growth forecast for cargo to 5.5 percent from 6.1 percent, but upped its yield growth forecast to 4 percent from 1.9 percent, noting that robust economic conditions have allowed carriers to partially recover higher fuel prices.

The projected 2011 profit margin is expected to shrink to 0.7 percent on forecast revenue of \$598 billion, compared with last year's 3.2 percent on revenues of \$562 billion.

IATA singled out higher fuel prices as the key reason for its lower profit forecast. It is estimating an average oil price of \$110 per barrel for North Sea Brent, a 15 percent increase on its previous forecast of \$96 per barrel.

CBSA Implementation for eManifest

The Canada Border Services Agency (CBSA) recognizes that it will take time for the trade community to adjust to the new reporting requirements. Thus, eManifest will be implemented over a number of years, by client type, using an 18-month implementation timeline.



- **0-12 months** - Once all eManifest transmission options (Electronic Data Interchange (EDI) and eManifest Portal) become publicly available, there will be a 12-month period for clients to incorporate eManifest requirements into their business processes.
- **12-18 months** - After the initial year, the eManifest regulations will take effect. However the CBSA will offer a six-month period of informed compliance.
- **18 months and beyond** - The implementation timeline is complete. Clients may be subject to administrative monetary penalties (AMPs) for non-compliance.

What is eManifest?

eManifest is a Government of Canada initiative to enhance the ability of the Canada Border Services Agency (CBSA) to identify potential threats to Canada while facilitating the movement of low-risk shipments across the border.

The eManifest initiative is the third phase of the Advance Commercial Information (ACI) program. ACI phases 1 and 2 require air and marine carriers to submit pre-arrival cargo and conveyance information electronically, within advance time frames.

When fully implemented, eManifest will require trade partners in all modes of transportation (air, marine, highway and rail) to submit cargo, crew/passenger, conveyance, secondary and importer data to the CBSA prior to arrival at the border.

Implementation by Client Type

Highway carriers

Starting October 31, 2010, current EDI options for data transmission included functionality for the transmission of highway carriers' cargo and conveyance data. To facilitate compliance and ease the transition from paper reporting to pre-arrival electronic data transmission for small- to medium-sized enterprises, the CBSA will offer an eManifest Portal option beginning in early summer 2011. Although registered and tested EDI clients could have begun transmitting eManifest information on October 31, 2010, the 18-month implementation timeline for all highway carriers to transmit cargo and conveyance data will begin in early summer 2011.

Rail carriers

In late 2011 / early 2012, the 18-month implementation timeline will begin for rail carriers to transmit cargo and conveyance data.

Freight forwarders

In 2012, the 18-month implementation timeline will begin for freight forwarders in all modes of transportation to transmit secondary cargo / house bill data.

Importers

In 2012, the 18-month implementation timeline will begin for importers in the marine mode to begin transmission of advance trade data (formerly called Importer Admissibility Data or IAD).

The CBSA encourages clients to adopt eManifest requirements early within each implementation timeline. Being an **early adopter** will allow businesses to benefit from more time to fine-tune business processes and correct problems before requirements become mandatory and regulations come into force.

Note: The implementation dates for importer data in other modes and crew/passenger data in all modes will be confirmed at a later date.

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



Optimizing Your Air Cargo Shipments

Surging oil and kerosene prices, increased security measures and government focus on compliance are all factors currently affecting the air cargo industry.

It's now more important than ever to make sure that YOU, the shipper, are optimizing your supply chain.

Here are some tips and advice on how you can do this:

Partner with Your Transportation Providers

- Limit the number of providers you work with – identifying a few trusted partners will create operational efficiencies and optimize rates

Utilize the Right Service Levels

- Shipments often have different weight and size characteristics and transit time requirements. Select the right service level option for each of these needs – it can be an easy way to reduce costs

Double Check Your Documentation

- Missing or incomplete commercial invoice information is a common cause of customs holds for air cargo shipments – easily avoid these delays by making accurate and complete shipping documentation a priority

Broker Through Your Carrier

- Coordinating broker services through your carrier can minimize hand-offs and ensure a smooth and timely clearance and delivery.

Insist on Visibility

- Having complete end-to-end tracking visibility of your shipments is critical. Visibility enables you to identify problems and keep your shipments on track avoiding potential negative impacts on time and cost.

Maximize Your Pallet

- Package and consolidate goods to maximize pallet space. While weight is a factor, space is also key and efficient packing will reduce your chance of incurring dimensional weight fees

Weigh Your Costs

- If speed and reliability are critical to your business, don't use price as your only carrier criteria. The repercussions of a missed deadline or upset customer can end up costing you more in the long run.

Please contact your local KWE office to find out information on how we can help you optimize your supply chain!

Carrier News

JAL and AA Strengthen Relationship

Japan Airlines and American Airlines have enhanced their cargo relationship, routing freight through five key cities in the U.S. and three Japanese cities.

Honolulu is now a key hub for the transfer of cargo between the Americas and Asia. In addition to Honolulu, the new key transfer points in the U.S. are Los Angeles, Chicago, Dallas/Fort Worth and New York. In Japan, the carriers will route freight through Tokyo, Osaka and Nagoya.

According to a Japan Airlines press release, "the tighter cargo relationship is expected to enable both airlines to provide their respective customers with additional value, while maximizing the utilization of cargo capacity. In addition, new synergies between the carriers' express products will now provide seamless transfer of express shipments between the airlines."

A joint business agreement between the two carriers began in April.



Lufthansa Cargo Opens Pharma Hub in India

Lufthansa Cargo inaugurated its South Asia pharmaceutical hub at India's Hyderabad airport with shipments of medicines to Philadelphia and Chicago.

The Md-11 freighter flight followed Lufthansa Cargo's certification of the airport as meeting the complex requirements for transporting temperature-sensitive pharmaceuticals – the first station in its global network to be awarded this status. Lufthansa will operate three MD-11 freighter flights a week to Hyderabad, which has the capacity to handle 30,000 tons a year of pharmaceutical products.

"Parallel to the certification process, we are further expanding our own fleet of cold-chain containers in Hyderabad," said Christopher Dehio, Senior Manager Global Key Accounts Temperature Control at Lufthansa Cargo.

Previously, textiles dominated Lufthansa export shipments from India, but pharmaceuticals, auto parts and electronic goods now account for half of the traffic. Thus, Lufthansa Cargo and GMR Group, operator of Hyderabad airport, unveiled plans in December to jointly develop the airport into the key hub in South Asia for the transport of temperature-sensitive pharmaceuticals.

Asiana Airlines Comes to Oregon, USA

Asiana Airlines will launch nonstop all-cargo service between Incheon and Portland International Airports beginning Sept. 2. The thrice-weekly service will use a Boeing 747 freighter and will return to PDX through Anchorage, Miami or Atlanta. Officials expect to transport seasonal perishables such as Oregon blueberries, cherries, Dungeness crab and oysters on the route.

During a press conference announcing the new service, Oregon Governor John Kitzhaber said the Asiana flights will help generate about 80 more local jobs and \$27 million a year in local business activity. The state's top three trading partners are Japan, Korea and China — locations that are all served by the new flights.

"For Portland businesses, nonstop air cargo service to Asia is absolutely critical in getting our goods to market," Portland Mayor Sam Adams said in a statement. "This is an important accomplishment for the Port of Portland and will translate into more trade and job creation for our region."

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

WESTBOUND (from USA to Asian destinations)				
	July 01 through Sept 30, 2011			
	20' dry	40'-45' dry	20' reefer	other reefer
BAF – West Coast	596	745	839	1049
BAF – East Coast	1178	1472	1566	1957
IFC – Pure truck	108	108	108	108
IFC – Truck/Rail	375	375	375	375
EASTBOUND (from Asian origins to USA)				
	July 01 through Sept 30, 2011			
	per 20'	per 40'	per 40HQ	per 45'
BAF – West Coast	454	568	639	719
BAF – East Coast	886	1107	1245	1401
IFC-Truck	108	108	108	108
IFC-RIPI	188	188	188	188
IFC-IPI	375	375	375	375

June Holiday Schedule

12	Independence Day – Philippines	Skeleton Staff
20	Birth Anniversary of Dr. Jose Rizal – Philippines	Skeleton Staff
24	St. Jean Baptiste Day - Canada	All offices closed