

# Industry Update

March 2007



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## **KWE Ireland Achieves Quality Assurance Recognition**

In December 2006, KWE Ireland achieved the quality assurance standard "Good Distribution Practice" through the award of the Wholesalers License by The Irish Medicines Board (IMB). Good Distribution Practice (GDP) guidelines apply to the transport and logistics sector in relation to medical products and guarantees that products are consistently stored, transported and handled under suitable conditions as required by product specification.

KWE provides services to a number of customers in the Pharmaceutical Industry and as such, feel it is our responsibility to apply the highest quality standards possible when handling these sensitive and valuable products.

The award of the IMB Wholesale License in conjunction with the GDP Program was achieved as a result of considerable investment in facilities, personnel, systems and work practices. KWE is proud to provide our customers with the confidence that "Highest in Class" standards and policies are continuously being applied.

## **UFS / UAS Rollout at KWE Beijing**

KWE's global network standardization initiative moves further towards completion with the March 1, 2007 rollout of KWE's UFS and UAS at KWE Beijing. This follows last year's initial KWE China implementation of UFS and UAS in Shanghai.

UFS and UAS are among the standard core business processes managed globally through KWE's Unified Systems Suite, which consists of the following modules :

- ❖ United Freight System (UFS)
  - Standardized shipment management, document processing
  - Air / Ocean Gateway consolidation processing
  - Manages 96% of all KWE global freight movement
- ❖ Unified Accounting System (UAS)
  - Customized implementation of Oracle E-Business Financials
  - Support KWE policy of consistent, visible, global financial reporting
- ❖ Unified Warehouse System (UWS)
  - Full feature inventory based on SAS/EXE WMS
  - Multi-Partner, Multi-Warehouse Inventory Management
  - Web visibility to inventory balances, receipts, orders at commodity, case, piece level, via CSS user interface

## KWE Detroit Expands Warehouse Space by 50%



KWE Detroit Branch



Following its expansion in October of last year, the Detroit Branch of Kintetsu World Express (U.S.A.), Inc., will further increase its warehouse space by 50% from April 1, 2007. The expansion is driven largely to cope with the increased volume of both imported and exported air and sea freight as well as to expand logistics operations.

The Detroit Branch has grown steadily and now services approximately 200 corporations centering on major U.S. automobile manufacturers and Japanese car part makers. Recently, in addition to the established Japanese market, there has been a noteworthy increase in the amount of cargo handling for all of Asia and particularly China.

Against this background, the Detroit Branch relocated and expanded both the sales office and its warehouse space in October 2006. This initial expansion increased the warehouse space to approximately 7,500m<sup>2</sup>, but given the increasing amount of freight handled, it was further decided to expand the warehouse space to 11,000m<sup>2</sup>. While the warehouse will remain in its present location, this expansion will make it possible for KWE USA to deliver the improved services outlined below :

- Delivery of parts to local automobile manufacturers on the JIT (Just in Time) and VMI (Vendor Managed Inventory) basis.
- Greater capacity for simultaneous on-loading and off-loading to support JIT response by increasing the number of truck docks from 24 to 32
- Increased ability to receive and store cargo of varying dimensions by raising the warehouse ceiling height to 9 meters (29 ½ feet)
- Ability to perform product inspections as an agent for other companies

The outline of the expanded Detroit Branch and Warehouse is as follows :

Name	Kintetsu World Express (U.S.A.), Inc. Detroit Branch
Address	27651 Hildebrandt Road, Suite 400 Romulus, MI 48174, USA
Warehouse Space	11,000 m <sup>2</sup>
Number of Employees	26
Person in Charge	Takeshi (Ted) Kamata Branch Manager
Planned Commencement of Expanded Warehouse Operations	April 1, 2007

## Beijing KWE Opens Offices in Huhhot, Lanzhou and Shijiazhuang

Beijing Kintetsu World Express Co., Ltd. (“BKWE”), one of the registered Chinese companies in the Kintetsu World Express group is proud to announce the establishment of offices in Huhhot (Inner Mongolia), Lanzhou (Gansu Province) and Shijiazhuang (Hebei Province) as part of its efforts to strengthen KWE’s domestic transport services within China.

Corporations with manufacturing bases in China are striving to increase domestic sales which creates the need for a domestic supply chain, including cargo tracing, vehicle dispatch management, warehousing control and information management. Currently these corporations are predominantly using multiple logistics and transportation companies but have been increasingly demanding a “One Stop Service Provider”.



BKWE has been working with our customers to fulfill this demand in various ways. Since August 2006, BKWE has been providing transport services for a major customer to northern China from their plant in Shanghai and in addition established the “Beijing Railway Cargo Terminal Office” in Beijing Station last December. Shortly following that was the opening of the Taiyuan office in Shanxi Province and Yinchuan office in Ningxia.

With the establishment of these three new offices, BKWE is now able to provide an even more comprehensive domestic transport service in reaching areas by land, air and rail.

The three new offices are located in the major capitals of Huhhot in Inner Mongolia, Lanzhou in Gansu Province and Shijiazhuang in Hebei Province that have populations of 1.5 million, 9 million and 3.1 million respectively. BKWE has established these offices in order to improve vital customer service functions for final point of delivery of completed product to these major cities. Each of these offices are engaged in controlling the shipping schedules from the point of manufacture all the way to the end product delivery to the purchasers.

The outline of the three new offices are as follows :

Name	Beijing Kintetsu World Express Co., Ltd Huhhot office
Address	Room 302, Haiguang Bldg “Hai La Er” West Street Huhhot City, Neimongol, P.R.C.
Number of Employees	2
Person in Charge	Mr. Zhang Ming (VP at Shanghai)
Commencement of Business	January 15, 2007



LANZHOU OFFICE

Name	Beijing Kintetsu World Express Co., Ltd Lanzhou office
Address	10 <sup>th</sup> Floor, Bldg D, Da Gong Bldg New 3 Road Street Lanzhou City, P.R.C.
Number of Employees	2
Person in Charge	Mr. Zhang Ming (Vice President at Shanghai)
Commencement of Business	February 1, 2007



SHIJIAZHUANG OFFICE

Name	Beijing Kintetsu World Express Co., Ltd Shijiazhuang office
Address	Room 1009 Shi fang Bldg No 19 North Big Street of Zhonghua Shi Jia Zhuang City, P.R.C.
Number of Employees	2
Person in Charge	Mr. Zhang Ming (Vice President at Shanghai)
Commencement of Business	February 1, 2007

## Carrier News



- **KOREAN AIRLINES** introduces two B747 Freighter flights Ex-Incheon to Chengdu on Tues & Fri beginning on March 6. Additionally, **KOREAN AIRLINES** will also begin operating two 747-400 passenger flights Ex-Incheon to Vienna on Weds & Fri from March 28.
- **JADE CARGO INTERNATIONAL**, the Chinese affiliate of **LUFTHANSA CARGO** will fly to the Leipzig/Halle Airport in Germany for the first time in March 2007. The B747-400ER Freighter is anticipated to have two flights per week from Shenzhen China to Leipzig/Halle and continuing the flight to Stockholm Sweden before returning back to Shenzhen.
- **AIR FRANCE – KLM** will begin daily passenger service between New York and Paris on May 1st.
- **MAERSK LINE** introduces a new direct service into the United States from Chennai. This unique service is named MECL 2 and will bring about an entirely new dimension to trade Ex-Chennai by allowing exporters and importers the ability to have their cargo delivered without the need for trans-shipment at another port. The first sailing Westbound will be the Maersk Djibouti V0704 arriving to Chennai on March 16, and the first sailing Eastbound V0705 is expected to arrive to Savannah, Georgia on April 10.
- The **VISHAKHAPATNAM PORT** in India has surpassed the 50 million ton mark in cargo handling for the third consecutive year. According to estimates, the port is projected to handle 57-58 million tons by March 31.

## Additional USA-China Air Routes Expected

**UNITED AIRLINES** will begin daily non-stop service between Washington, D.C. and Beijing on March 28, 2007. This will be the first direct service between those cities. In addition, the US Department of Transportation will authorize additional daily service in early 2008. Among the carriers submitting bids for that new lane are **US AIRWAYS** with their bid for PHL-China service, **DELTA AIR LINES** with their bid for ATL and SHA, as well as 4 other carriers that have also expressed interest in non-stop USA-China service. Decision on the award of the additional service to start in 2008 is expected later this year.

## Cathay Carries Record Volumes in 2006

**CATHAY PACIFIC AIRWAYS** has announced profits of HK\$4,088 million in its 2006 annual results, compared to a profit of HK\$3,298 million the previous year. The 2006 results include a three-month contribution from **DRAGONAIR**, which became a wholly owned subsidiary of **CATHAY PACIFIC** on September 28, 2006.

**CATHAY PACIFIC** expanded its freighter network and fleet in 2006, helping it to carry a record 1,199,000 tons of freight. Cargo revenue also hit a new high, rising 3.4% to HK\$11,980 million. The cargo load factor increased by 1.3% points to 68.3%. However, increased competition and a weakened demand for exports out of Australia, Europe and the United States led to a decrease in cargo yield to HK\$1.69. The new freighter destinations added were Beijing, Chennai, Stockholm and Toronto,

## TSA Cargo Security Initiative Update



### *Indefinite Suspension of the Photo ID Requirement*

The United States Transportation Security Administration (TSA) has just announced the *indefinite suspension* of one of their March 12, 2007 TSA directives. The suspended requirement mandated that a government issued photo ID be presented at the time that air cargo shipments are picked up or delivered. The difficulties involved with industry compliance with that directive prompted the TSA to rescind the photo-ID requirement with the exception of cargo picked up from or delivered on behalf of Unknown Shippers.

### *Random Cargo Inspection Program*

Remaining in effect is the TSA directive which mandates that all domestic and U.S. export air freight shipments transported on an aircraft will be subject to random inspections. This may include, but not necessarily be limited to, the physical examination of the shipment's contents.

***KWE CONTINUES TO CLOSELY MONITOR ALL ASPECTS OF CARGO SECURITY POLICIES AND DIRECTIVES, AND WILL PROVIDE UPDATES REGARDING ANY SIGNIFICANT DEVELOPMENTS AS SOON AS SUCH INFORMATION BECOMES AVAILABLE.***

### *Overview of TSA Security Cargo Directives*

The United States Transportation Security Administration has issued cargo security guidelines to both the Direct Air Carriers (airlines), as well as the Indirect Air Carriers (IACs). In both cases, the TSA has imposed a number of high-level security requirements which are not available for public release due to the confidential and sensitive nature of those directives.

In many cases, the TSA directives do NOT mandate specific measures required of the Direct Air Carriers and IACs, but rather provide guidelines which all concerned service providers must use to develop and implement policies and processes that comply with the guidelines. The result of this is that Direct Carriers (Airlines), in particular, may implement their own specific requirements to meet TSA guidelines, ***but which are not direct TSA mandates***. Direct Carrier security requirements can and will vary from one airline to another, and may also vary from one geography to another. Because of this, airline security requirements must be verified and met on an airline-by-airline basis, as there is no single universal security solution mandated for all airlines. In summation, the following statement has been released by KWE USA Director of Security regarding this important issue:

**There are various requirements from the air carriers which are not part of the formal IACSSP (Airline security programs are far more extensive than those of the IACs (*indirect air carriers / forwarders*)), such as banding single packages +150 lbs. to a pallet or skid. We do not have access to the air carriers' SSP, as our customers do not have access to the IACSSP. For additional information and interpretation of the air carrier security requirements, it is suggested that all concerned meet, discuss, and review such requirements with carrier representatives locally.**



## US Customs to Impose Wood Packaging Fines

Effective March 9, 2007, importers may receive claims for liquidated damages and penalties from U.S. Customs and Border Protection for importing wood packaging material in violation of regulations (ISPM-15) designed to keep invasive pests like the Asian long-horned beetle out of the United States.

The (ISPM-15) regulations require all wood packaging materials entering or transiting through the United States to be heat or chemically treated to prevent insect infestation and to be properly marked to reflect the producer, country and type of treatment.

Customs and Border Protection has provided liquidated damages and/or penalties will be based on (up to three times) the value of the wood packaging and the value of the commodity or commodities identified for importation on the entry documentation, but not greater than the importers bond (single or continuous).

In addition, any noncompliant wood packaging must be immediately re-exported at the violators cost. As a related concern, Customs will continue scrutinizing importers bonds for sufficiency in value, importers deemed to have bonds in amounts insufficient for the value of goods imported will be required to secure larger bonds or file single entry bonds against individual transactions.

## Plans to Scan 100% US Bound Ocean Containers Thrown Out



Plans to increase ports and shipping security which would have involved the scanning of every sea container consigned to the US have been defeated after concerted lobbying from American business. An amendment to the Improving America's Security Act currently being considered by the Senate was defeated.

The amendment, had it been approved, would have required that within 5 years, 100% of containers from all ports should be scanned before arriving in the United States. Industry bodies opposed the plans, asserting that scanning every container was unrealistic given the present state of technological development and that it would have had potential damaging effects on US manufacturing and consumers. However, the defeat in the Senate may not be the end of the matter as the 100% scanning clause could be re-introduced at a later stage of the progress of the bill.



## MOL Initiates New Services in Americas and Asia

Japanese shipping line MOL has announced that it is to initiate a new direct service between the East Coast of South America and the U.S., as well as the start of new Japan/China service.

MOL's announcement on the start of the Japan/China Service (JC2) is part of MOL's strategy to keep up with the robust growth of containerized cargo traffic into, out of, and within Asia. The new JC2 service is offered through a space charter from Taipei-based Wan Hai Lines. By adding the JC2 service, MOL will upgrade its direct services from South China to Japan with current MOL-operated services, while the service to Kansai and Kyushu will start again.

For the South America sectors, MOL will be replacing its current AXL Service with the Americas Container Express (ACX) Service. The ACX will improve port coverage on the East Coast Americas trade by adding calls at Buenos Aires (Argentina), Salvador (Brazil), and Baltimore (Maryland, US). The first northbound call to Brazil is scheduled for mid-April. MOL will phase out the AXL service, which will make its last northbound call at Santos on April 13, 2007, allowing for a seamless transition to the new ACX.

## KWE Philippines TAPA A Certification

Kintetsu Philippines Paranaque City facility has received their TAPA A (Technology Asset Protection Association) re-certification. This re-certification was the result of KWE's recent relocation to new facilities, which incorporated high standards of security as a key design factor. TAPA's level A certification, obtained in January, ensures that all business will continue to be handled in a secure best-of-kind environment.



KWE Industry Newsletter *New Feature* :

## Products and Developments of Interest

KWE is adding a new feature to our monthly publication which will highlight products or industry developments of interest to our readers. Our intent is to share with our subscribers information related to innovative products that may increase productivity, reduce costs, or otherwise help optimize cargo transportation and supply-chain initiatives. In this regard, we also welcome input from any of our readers on products or developments that they feel meet this criteria, and we will be happy to feature those after reasonable due -diligence and verification. Please feel free to submit any items of that nature to our correspondent address found in each edition of our newsletter.

### **ENNO – “The Platform for Freight Efficiency”**



A new type of cargo pallet has recently been introduced which offers significant advantages over traditional wood-product pallets. The pallets are manufactured for and distributed by ENNO Marketing Services PTE Ltd., and are constructed entirely from processed wood waste. As a result of the materials used in the construction of the pallets, they are entirely exempt from ISPM 15 regulation, and meet the ISPM exemption criteria without the need for heat -treatment or the use of any toxic agents such as methyl bromide.

The environmentally friendly design of the ENNO pallet is unique. The ENNO pallets are dimensionally optimized to offer space savings, are light weight, water resistant, fire retardant, and are designed and constructed to be re-used. The following are among the unique attributes offered by the ENNO pallets :

- ❖ Molded, engineered and optimized for efficient racking and storage
- ❖ Conveyer-friendly design
- ❖ Suitable for cold storage and clean-room use
- ❖ Resin-bonded for water, pest and fungus resistance
- ❖ High load-bearing ratings
- ❖ Fully ISPM compliant
- ❖ 100% Environmentally friendly
  - Not treated with any toxic compounds
  - Constructed of processed wood-waste products and resins
  - Re-usability promotes effective use of resources and manufacturing processes
  - Eliminates the environment challenges posed by disposal of pallets treated with toxic compounds, as well as the consumption of timber resources used in traditional wood-pallet construction
- ❖ Highly cost effective – ENNO is working with a number of major multinational shippers who have realized the significant savings :
  - Reduced net pallet-weight reduced freight costs
  - Supply chain programs appropriate for re-usable pallets realize significant savings in pallet replacement costs
  - Optimized dimensions and design allow for efficient stacking and storage
  - Exemption from ISPM 15 requirements eliminate costs associated with ISPM compliance, as well as eliminates indirect costs resulting from delays in release and processing of shipments on wood product material pallets
  - ENNO cost savings analysis and projection for a large customer demonstrates potential annual savings in excess of \$2.5 million



KWE has no financial interest in ENNO. This information is provided to our readers strictly as a means by which innovative products and solutions that offer value to our customers can be shared. KWE endorses the development of new products and solutions that will serve the best interests of our customers as well as our global industry.

**For more information regarding ENNO Marketing Services please contact ENNO directly at : [www.enno.com.sg](http://www.enno.com.sg), or for Sales Inquiry contact ENNO at : [sales.enquiry@enno.com.sg](mailto:sales.enquiry@enno.com.sg)**

*Disclaimer: The subject matter of this newsletter is provided for informational purposes only. All data is obtained from public sources and is believed to be true and accurate. KWE is not responsible or liable for any inaccurate information contained herein.*

### Trans Atlantic General Rate Increase (GRI)

Trans Atlantic ocean carriers have given notice of new GRI to be imposed to all Trans Atlantic (USA – Europe) shipments. This General Rate Increase (GRI) will be effective April 1, 2007 and apply as follows :

PER CONTAINER

- USD 160.00 - 20 STD Container
- USD 200.00 - 40 STD and 40 HQ Container

### Trans Pacific General Rate Increase (GRI)

Trans Pacific Westbound ocean carriers have given notice of a new GRI to be imposed to all Trans Pacific Westbound (USA – Asia) shipments. This General Rate Increase (GRI) will be effective April 1, 2007 and apply as follows :

PER CONTAINER

USWC and USEC port to port and local cargo

- USD 40.00 – 20 STD Container
- USD 50.00 – 40 STD and 40 HQ Container

IPI and MLB through cargo rates (including rail and motor movements)

- USD 240.00 – 20 STD Container
- USD 300.00 – 40 STD and 40 HQ Container

US Inland Add-ons

- USD 200.00 – 20 STD Container
- USD 250.00 – 40 STD and 40 HQ Container

## Holiday Schedule – March & April 2007

19 Mar	Festival Holiday – Bangalore	KWEBLR Offices Closed
19 Mar	St. Patrick’s Day Holiday	KWEDUB Offices Closed
5 – 9 Apr	Easter Holidays – Hong Kong	KWEHKG Skeleton Operation
6 Apr	Good Friday - Singapore	KWE Offices Closed
6 Apr	Good Friday – Canada	Bank & Gov’t Offices Closed
9 Apr	Easter Monday – Canada	Gov’t Offices Closed, KWE Canada fully operational

*Recently we have been seeing announcements from several carriers regarding pending Fuel Surcharge increases. The continued fluctuations of the global barrel prices are the driving force behind these actual and anticipated increases. KWE will continue to monitor the situation and provide updates as soon as more specific information is available. If you have any questions, please feel free to contact your local KWE office or Sales representative*