

Industry Update

August 2006



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Giant Dinosaur Expo

Update: Terror Plot Disrupted

As was widely reported from various global news outlets, a terror plot involving commercial flights from the United Kingdom to the United States has been discovered and disrupted by police in London. Upon discovery of the plot, all airports throughout England were closed resulting in significant delays and numerous flight cancellations. Increased security measures for passengers were been implemented at all airports around the world, and the terror threat was elevated in the UK and the US. The threat level for all US commercial air traffic remains elevated.

Flight operations have largely returned to normal in the US and UK, however, passengers still face increased security checks. To date, KWE has not received any reports of the implementation of additional security measures for air cargo from any of our locations in Europe, Asia or North America.

KWE is committed to the safety and security of our clients' cargo. Our offices are in close, regular contact with local government officials and authorities, and we are prepared to immediately respond to any changes in air cargo security. KWE is also prepared to implement contingency plans as necessary to ensure the uninterrupted handling of cargo.

Giant Dinosaur Expo in Japan Supported by KWE

Last month KWE Japan provided transportation services for the Giant Dinosaur Expo, which is the largest dinosaur exhibition ever held in Japan. The exhibit includes 47 skeletal preparations of the entire animal – more than 80% of which are actual fossils. Through this exhibit the public will see 27 families of dinosaurs for the first time. One of the most remarkable showpieces of the exhibition is the "Supersaurus" which, at 33 meters in length, is the largest dinosaur discovered to date.

The fossils and replicas for this amazing exhibit were transported by land, ocean and air from China, Portugal, the Netherlands, South Africa, the United States and local Japanese museums. KWE secured six 10 ton trucks and several ocean containers to arrange for delivery of this delicate cargo. All shipments were flawlessly coordinated and arrived ahead of the deadline to allow an on-time opening.

The exhibition debuted on July 15. Opening day was greeted with visitors standing in line to be among the first to see this incredible display. KWE is pleased to have played a part in bringing the Giant Dinosaur Expo to Japan.

The World's Top Ocean Ports

The Journal of Commerce published its list of the world's top ocean container ports in the July 31 issue. Following is an abridged version of this article; for a full copy, please visit www.joc.com.

In 2005, the Port of Singapore grew by 8.7% to take the top spot away from the port of Hong Kong, which showed a smaller growth rate of 2.8%. The Chinese ports showed tremendous growth with the largest growth port being Guangzhou at a 40.7% increase in TEU throughput over 2004.

The majority of the top 50 ports showed impressive two-figure growth in 2005. There were four ports, however, which showed a small decline during the same period. Of these ports, two were in Asia (Kaohsiung and Manila) and two were in Europe (Le Havre and Gioia Tauro).

The top 20 ports were reported as follow:

(Among the top 20 ports, Hong Kong/ China contributed 42% to the overall total.)

Rank	Port	2005 Volume (Million TEUs)	% Change Over 2004
1	Singapore	23.19	8.7%
2	Hong Kong	22.60	2.8%
3	Shanghai	18.08	24.3%
4	Shenzhen	16.20	18.6%
5	Busan	11.84	3.0%
6	Kaohsiung	9.47	-2.5%
7	Rotterdam	9.29	12.0%
8	Hamburg	8.09	15.5%
9	Dubai	7.62	18.5%
10	Los Angeles	7.48	2.2%
11	Long Beach	6.71	16.1%
12	Antwerp	6.48	6.9%
13	Qingdao	6.31	22.7%
14	Port Kelang	5.50	4.9%
15	Ningbo-Zhoushan	5.21	30.0%
16	Tianjin	4.80	25.8%
17	New York – New Jersey	4.79	7.0%
18	Guangzhou	4.68	40.7%
19	Tanjung Pelepas	4.17	3.7%
20	Laem Chabang	3.83	5.9%



Keppel Container Terminal in Singapore



Port of Shanghai

Maersk Takes Delivery of World's Largest Container Ship

Earlier this month, Maersk Line received the world's first 11,000 TEU vessel, which was built at the Moller-Maersk shipyard. While Maersk never reveals the capacity details of its vessels, industry experts believe that the vessel could transport up to 15,000 TEUs based on its length of 399 meters and width of 55 meters.

Maersk has long been a front runner when it comes to owning and operating the world's largest container ships; in the 1990's, Maersk was the first steamship line to add 6,000 TEU vessels to its fleet. Other steamship lines have ordered large vessels capable of carrying over 9,000 TEUs, however, the new Maersk ship will be able to haul several thousand more boxes than any of the world's other large ships.

The new ship will enter service on September 14.



Carrier News

- On July 20, American Airlines announced that it had filed an application with the US DOT to operate daily nonstop service between DFW and BJS beginning March 25, 2007. AA will serve this route with its 777 passenger aircraft.
- Cargolux has added a second flight to its Luxembourg – Doha route. The flight leaves LUX on Saturday and stops in Doha, Sharjah and Karachi before returning to LUX.
- Cargolux has added an additional flight on its Luxembourg – Indianapolis route. The carrier will now also serve this route (LUX – IND – ORD – LUX) on Wednesdays.
- Effective August 1, Korean Air will offer daily freighter service from ICN to PVG and INC to HKG.
- Cathay Pacific announced additional freighter services to North America, including three freighters per week servicing Hong Kong-Toronto. The new services are in response to growing cargo volumes and demand for airfreight allocations.
- Emirates will launch daily direct flights from BJS to DXB on September 1.
- Great Wall of China Airlines will begin its ex Chennai operations this month.
- Korean Air is set to offer many new flights this month; a few of the new/additional routings include ICN to MAA, ICN to VIE, VIE to STO and ICN to YNT.
- The historic first Taiwan-China mainland direct cargo flight departed on July 20 marking the beginning of regularly chartered cargo flights over the Taiwan Straits.

Changes to Ocean Freight Perishable Handling in Canada

Canadian Pacific Rail advises that Port of Vancouver perishable import traffic currently moving from Vancouver Intermodal Facility to Lachine, Quebec on Canadian Pacific Rail (CPR) genset power, will now require the use of customer clip-on gensets. This change is due to the implementation of a direct Vancouver Inter-Modal Service to Port of Montreal export reefer service, where the CPR genset will terminate at Racine Terminal at the Port of Montreal instead of Lachine.

It should be noted that this will not impact the Lachine, Quebec service currently offered from all the Vancouver marine terminals - these will continue to move via CPR genset.

Philippines Customs Administrative Order

The Philippines Bureau of Customs (BOC) will present the amended Customs Administrative Order (CAO) No 3-2006 to licensed customs brokers. Based on the Technical Working Group (TWG) draft, brokers may be employed by companies. Freight forwarders with accreditation from the Philippine Shipper's Bureau and the Civil Aeronautics Board will also be given customs passes that will allow them to process import and export shipments.

The TGW will incorporate comments of customs brokers and set another meeting before August 21, the proposed implementation date of CAO -3-2006.

*Important Philippines
Customs Regulations
Changes set to be
Implemented on
August 21*

US-Canada Cross Border Trucking News



The US Transportation Security Administration (TSA) has announced that as of August 10th, Canadian truck drivers entering the United States with hazardous materials loads will be required to be in possession of a FAST (Free And Secured Trade) card. The requirement is restricted to quantities requiring a hazardous materials placard and includes explosives. An estimated 3.5 million US hazmat drivers are subject to a background security check in order to obtain, renew or transfer a hazardous materials endorsement on a state-issued commercial driver's license.

In other cross border news, due to driver shortages, increasing fuel costs, and US-Canada cross border issues, an initiative by the Hamilton Port Authority will allow truckers to participate in a new "MarineLink" short-sea shipping option. The MarineLink would cover the St Lawrence Seaway and Great Lakes which are currently fed by the trucking and rail industries. The current border delays are costing billions of dollars, and the new MarineLink would take a bite out of this cost. The Canadian and US border services both feel this method offers the greatest cross border security possible by being able to check trucks before departure and before disembarking on the other side if necessary.

Validating Authority for POA in the US

Prior to filing export information in the Automated Export System (AES), export regulations in the United States dictate that the service provider must receive (or already have on file) a written authorization to act as the forwarding agent from the principal party that is arranging the export. The principal party is either:

- the exporter -- more specifically referred to in U.S. export regulations as the U.S. principal party in interest (USPPI) – the entity in the United States that receives the primary benefit, monetary or otherwise, from an export transaction or
- the overseas customer -- defined in U.S. export regulations as the foreign principal party in interest (FPPI)

Recognized forms of written authorization (provided by the USPPI) are:

- power of attorney, or
- written authorization form, or
- signed, completed shipper's letter of instructions, or
- signed, completed yellow paper SED form (Form 7525-V) – or photocopy of same

or a foreign power of attorney (provided by the FPPI) serving as evidence that the designated service provider has formally been granted authority to act as forwarding agent by one of these principal parties.

When providing a power of attorney to KWE or any other service provider, the USPPI must make certain that the individual signing the power of attorney has authority for policy or management within the USPPI's organization. Typically, the following individuals are empowered to sign a power of attorney:

- in a corporation – a corporate officer (president, vice-president, secretary, or treasurer)
- in a limited liability company (LLC) – a member
- in a partnership – a partner
- in a sole proprietorship – the owner

If the authority of the person who signed USPPI's power of attorney is unclear, U.S. Customs – or any other government agency of the United States – may consider that power of attorney to be invalid.

Therefore, along with your power of attorney, kindly provide KWE/USA a corresponding document from the following list: *(Continued on page 5.)*

*For More Information,
Please Contact Bob
Feke at
robert.feke@am.kwe.com*

Additional Air Cargo Capacity to Be Added Between China and Japan

China and Japan Improve Cooperation

The governments of China and Japan have recently signed a protocol that will expand the air transportation services between the two nations. Under this agreement, each country will be able to add two new cities as places of departure and two new cities as points of destination. The addition of these locations will bring the total number of origins and destinations between the two nations to 23.

With the additional routing options, capacities on passenger and freighter flights will increase by 20% and 100% respectively. This translates to 92 additional passenger flights and 76 additional cargo flights between China and Japan each week. KWE will leverage this additional capacity for the benefit of our customers by expanding the availability of secure space allocations in this tight and competitive market.

Surcharge Collection Fee for Switzerland

SPEDLOGSWISS (Swiss Freight Forwarding and Logistics Association) has decided to implement a surcharge collection fee (SCF) of Minimum CHF 15.00 or CHF 0.03 per kilogram based on today's average fuel surcharge and security surcharge. This fee covers the costs of financing the fuel and security surcharges and will be applied as of 14 August 2006.

Kintetsu Switzerland (ZRH and GVA) will adopt the SCF; this item will be listed separately on the AWB. Should you have any questions related to this surcharge, please feel free to contact KWE for further information.

2007 Changes to the Harmonized Tariff

The issuance of the new 2007 HTS will contain significant changes that will affect virtually all KWE Clients and international trade customers. The HTS changes can be reviewed via the following links.

The full Appendix B can be downloaded at the following link:
<http://hotdocs.usitc.gov/docs/tata/hts/APPXB.pdf>

Further info on the proposed changes can be found at the below link:
http://www.usitc.gov/tata/hts/other/rel_doc/fr/index.htm

For your added reference, following are several technology product categories which will be affected by the changes:

ADP systems/machines/units	Sound Recording/Repro. Equip.
Printing Machinery	Semiconductor Mfg Equipment
Multifunction Machines	Networking Equipment and other
Software	voice, image or data
Electronic Integrated Circuits	transmission/reception apparatus

Please Contact CTCG for Additional Information

Validating Authority for POA (cont'd)

- from a corporation - copy of articles of incorporation, notes of a corporate meeting, or a foreign corporate certification form
- from a limited liability company (LLC) - copy of articles of organization
- from a partnership - copy of partnership agreement
- from a sole proprietorship - copy of registration with a government authority

to serve as evidence that the person who executed your power of attorney is the same person on your supporting document who has authority for policy or management within your organization.

Relocation of Shanghai PVG Bonded Warehouse



PVG Bonded Warehouse



KWE Beijing Staff

KWE's Shanghai Branch PVG bonded warehouse relocated to a new, larger facility last month. The new facility has 5,000 square meters of storage space including a 250 m² storage area for over-sized cargo and a 1,000 m² storage area for medium-sized cargo. The facility also features shelved storage areas of 1,100 m² and a secure, high-value storage area of 510 m². For perishable or temperature sensitive commodities, the new warehouse also features cold storage up to -30 degrees centigrade.

Contact details for the new bonded warehouse:

Address: No.16-2 Warehouse , No.555,Hai Tian No.1 Road, Pudong International Airport, Shanghai 201202
 Tel: 86-21-6835-8810
 Fax: 86-21-6835-8786

KWE's objective is to operate 100 offices in China before the end of 2006. With 98 facilities currently in operation throughout China, KWE is on track to achieve that significant milestone.

KWE Germany to Present at China Sourcing

China Sourcing, Europe's second Chinese products Buyers Platform for the year, is scheduled to be held 13-15 September 2006 at the Dusseldorf Exhibition Center. China Sourcing provides a comprehensive view of all the characteristics of trade relations between China and Europe, covering the respective trade sectors of home appliances, electronic consumer Goods, hardware, garden and leisure, automotive, bathroom fittings and information. Roughly 300 exhibitors and 5,000 visitors from over 20 countries are expected to attend this Chinese trade fair at "Messe Duesseldorf" in the heart of Europe.

Kintetsu World Express (Deutschland) GmbH will present logistics solutions and products for the Chinese-European market on their stand in hall 1.

For additional information, please visit: www.china-sourcing.de.



Global Top 20 Ocean Freight Forwarders

In its June issue, *Global Logistics and Supply Chain Strategies* published a listing of the world's top 20 ocean freight forwarders by annual TEU volume. The article focuses on the growing role of the freight forwarder in today's ocean freight market. The article also comments upon the partnership between Kintetsu World Express and Mitsui OSK Line. In May 2005, KWE and MOL announced a strategic partnership whereby both companies assumed an ownership stake in the other. The partnership was designed to allow both parties to leverage the service strengths and global networks of the other. The GL&SCS article identifies this forwarder/steamship line partnership as unique – such cooperation is not commonly seen in the ocean freight market.

KWE was ranked number 12 on this list of the Top 20 Global Ocean Freight Forwarders (Ranked by TEU Volume).

Forwarder	Global	Asia to U.S.	China to U.S.
KWE	311,000	135,000	30,000

* As reported by Armstrong & Associates, Inc.

Holiday Schedule – September 2006

1 SEP	Luxembourg Fair - Luxembourg	KWE Regular Ops
4 SEP	Labor Day – US & Canada	KWE Offices Closed
7 SEP	Independence Day – Brazil	Offices Closed
18 SEP	Keiro no hi – Japan	KWE Offices Closed
25 SEP	Heritage Day – South Africa	KWE Skeleton Staff

AUGUST 2006						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

SEPTEMBER 2006						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Fuel Surcharge Monitor

The fuel index, as reported by Lufthansa Cargo is diagrammed below.

LH Fuel Index		
Week Ended	Index	Fuel Surcharge
21 JULY 2006	403	\$0.60
28 JULY 2006	400	\$0.60
4 AUGUST 2006	411	\$0.60
11 AUGUST 2006	416	\$0.60

OCTOBER 2006						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	29
30	31					

Lufthansa's FSC methodology is generally accepted as the industry benchmark.

Not all carriers follow this model implicitly, but the LH index is a good weathervane for current fuel cost and surcharge conditions.

KWE's Industry Update is a publication designed to provide meaningful insights to today's transportation and logistics market. We encourage our readers to submit suggestions regarding topics that they would like see covered in future issues. While KWE cannot cover each and every topic, we will do our best to provide as full coverage as possible.

The Industry Update is distributed to our key client contacts, if you feel that there are other parties in your organization who would benefit from receiving this publication, please send their contact information to marketing@am.kwe.com, and we will add these individuals to our distribution list.

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