

Industry Update

October 2006



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South African Airways Catering and KWE South Africa

The KWE Group has been providing supply chain solutions to South African Airways since 2000. In addition to managing the entire supply chain of aircraft spares, the service partnership also encompasses SAA's global on-board catering service. Although KWE has been recognized as one of the world's leading international air freight companies, providing reliable and cost effective door to door forwarding services, today's customer expects their service partner to provide value-added services and solutions beyond those offered by the traditional freight forwarder. The global catering program operated on SAA's behalf by KWE is a prime example of expanded diversity and scope of the logistics services and solutions provided by KWE.

Based upon KWE South Africa's global catering solution, the relationship with SAA has evolved from a supplier / vendor relationship to a full blown partnership. KWE SA has become an integral part of South African Airways day to day business operations, functioning as a "division" of the airline. This enables KWE SA to add value in areas including procurement methodologies and costing, freight cost analysis and reduction, company operations strategy and scenario / contingency planning. The scope of KWE SA's strategic solutions implementation for distribution and procurement far exceed normal freight services solutions. These two disciplines, better known as MRP (Materials requirement planning) and DRP (Distribution Requirement Planning), are key aspects of the growing sophistication and value focus in KWE's service profile.

Tangible evidence of KWE SA's value-add contribution to SAA is the reduction in inventory costs from 12 million USD to 6.5 million USD in 2 years.

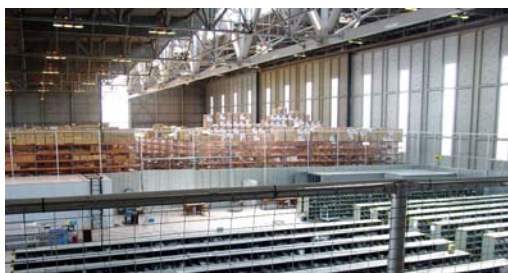
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KWE Atlantic Trade Link

KWE Canada and KWE Europe are taking great strides to promote and enhance the customer value found in their logistics programs. Efforts are yielding positive results, with growth in both air and ocean freight volumes. Additionally, KWE Canada and Europe have gained recognition from their customers as the Atlantic Trade Link service continues to gain momentum.

While customers typically recognize KWE as the "Asian Logistics Experts" they now realize that KWE's Canada and Europe network is extensive, flexible and responsive, and able to meet the ever changing needs of the global logistics industry. KWE's Atlantic Trade Link service enables customers to leverage KWE expertise in both markets, as well as our "think-out-of-the-box" logistic solutions.

KWE Canada and Europe anticipate an exciting and productive 2007 based upon Positive customer reaction to the Atlantic Trade link.



KWE SA Warehouse

Carrier News



- As of September 22, Korean Air is offering three weekly flights directly to Las Vegas from Incheon using a Boeing 777 aircraft.
- Air China has launched the first direct all cargo flight to North Europe in China. It departs from PVG on Tuesday, Wednesday and Sunday to CPH via BJS.
- On December 12, China Eastern Airlines will offer a new direct flight from PVG to New York, making MU China's first airline to offer service on this route. The flight will operate on Monday, Wednesday, Friday and Sunday.
- Ethiad Airways (EY) now has two direct freighters Ex-Bangalore (BLR) to Abu Dhabi (AUH) on Wednesday and Sunday. The route is served by an Airbus 300 with 42 tons capacity for the BLR market alone.
- KM - Transmile Air launched a new freighter service on the Saigon (SGN)/Bangkok (BKK) route beginning 18 September. This flight will run five times per week from SGN. Capacity for each flight is 10 tons.
- FedEx will spend \$2.6 billion to acquire and modify nearly ninety Boeing 757-200 aircraft to replace FedEx Express narrow-body fleet of Boeing 727-200 aircraft. The 757 reportedly has a 20% greater payload capacity than the 727 and an approximately 25% lower operating cost per pound.
- A new service from APL logistics and Con-way Freight offers an ocean day-definite delivery guarantee for shipments from China to the U.S. The guaranteed service offers port-to-door, day-definite, guaranteed delivery for LCL shipments from Hong Kong, Shenzhen or Shanghai.
- Ocean carriers announced increased Emergency Bunker Adjustment Fees (EBAF) and Inland Fuel Charge (IFC) effective 1 November 2006 – 30 November 2006.

EBAF	20'	40'	40' HC	45'
Eastbound (to USA)	\$410.00	\$545.00	\$615.00	\$690.00
Westbound (from USA)	\$436.00	\$545.00	\$545.00	\$545.00
IFC				
Inland Transported by Truck			\$61.00 per container	
Inland Transported by Truck & Rail			\$211.00 per container	

South African Airways Catering and KWE South Africa (cont'd.)

By freeing-up this capital, as well as through KWE freight cost containment and reduction efforts, SAA has been able to invest in other far more productive areas. It is worthwhile to note that service quality has been maintained and increased during the cost containment and productivity initiatives implemented by KWE SA, evidenced by 100% stock-availability throughout these programs.



KWE South Africa Warehouse

KWE integration into SAA business and operations now includes active involvement in long and short term strategy sessions, procurement options and alternatives, supplier management, caterer performance review and management, new product launch strategies etc. This relationship has contributed towards KWE SA being awarded a **platinum award in the 2005 Logistics Achievers Awards**, evidencing that KWE SA is providing leading edge and pace-setting total supply chain solutions within the Freight Industry.

*Impressive First Half
Growth for German
Seaports*

Turnaround at German Seaports

Nearly 7% growth at German seaports has been recorded in the first half of 2006. According to preliminary information from the "Statistisches Bundesamt", 149.8 million tons of goods were handled at German seaports, in the same period of 2005 only 104.4 million tons were handled. Exports to foreign countries rose by 11.1% while imports from abroad grew by 4.7%. Goods with the highest increase are agricultural products (+25%) and semi-finished and finished products (nearly +12%). Container traffic experienced growth of 13%.

Source: www.mylogistics.net/de/news/themen/key/news563442/jsp or www.destatis.de



Port of Vancouver

Truck Driver Unrest at Port of Vancouver

Amidst continuing unrest among truck drivers at the Canadian port of Vancouver, 1,000-plus owner-operators who walked out for six weeks in the summer of 2005 are threatening a similar walkout. One source of discontent for both drivers and trucking companies is the new mandatory reservations systems for the three container terminals. This system allows for only one person per company – large or small – to make electronic reservations. Smaller companies are able to fill their assigned quotas during daylight hours leaving larger companies at a disadvantage.

Potential driver action may come again before July 2007 when the current agreement runs out. KWE Canada is monitoring the situation closely.

Non-Intrusive Examination Equipment Advances

Science Applications International Corp. has developed a compact, high-penetration gamma-ray machine that hourly can scan up to 150 containers and trailers for smuggled / illicit items.

The San Diego-based company has more than 300 of its cargo inspection systems deployed worldwide. More than half the Vehicle and Cargo Inspection System (VACIS) portals belong to U.S. Customs and Border Protection, which uses both mobile and fixed radiographic machines to create an image of objects inside a shipping box.

SAIC said its latest model, the VACIS 7500, comes in a smaller footprint for use in high-volume ports and intermodal facilities with limited space. Trucks can drive through the detector array at 5 mph. The current fixed VACIS can process up to 120 containers per hour.

*New Equipment
Advances May Allow
Faster Processing for
Container Security*

Alameda Corridor Charges to Change

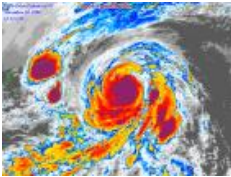
All inbound ocean cargo moving through ports of Los Angeles or Long Beach that is transported by rail to other parts of the country shall be subject to Alameda Corridor Charge (ACC) and the new charge will be effective November 24, 2006.

20': \$18.00 (previously \$17.00)
40': \$36.00 (previously \$34.00)
40' HC: \$36.00 (previously \$34.00)
45': \$40.00 (previously \$38.00)

Note: ACC is only applied to US ocean freight imports.

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.

Operations in the Philippines Return to Normal after Super Typhoon "Milenyo"



Cargo and passenger movement at major Philippines ports stalled for up to 24 hours on Thursday, September 28, 2006 after super typhoon "Milenyo" cut the electric supply to the entire Luzon grid. Cargo passing through the North Harbor was delayed after the North Harbor Port Authority suspended port operations due to bad weather and the blackout. Operations had returned to normal early on September 29, even though the electric supply had not yet been restored.

International Container Terminal Services, Inc. (ICTSI) and Asian Terminals, Inc. (ATI) slowed down operations on Thursday as a precautionary measure, but by Thursday evening, both cargo handling operators restored full commercial operations.

At the Eva Macapagal Super Terminal, which handles the bulk of the domestic cargo and passenger volume, local passenger and cargo movement was delayed 8 to 12 hours also due to the typhoon. The typhoon and rainy season are still very much active Asia. Severe weather conditions have caused delays and missed cut-offs as cargo cannot safely be moved without risking water damage. Customers with cargo moving to and from Asia are encouraged to contact their local KWE representative for additional packaging suggestions to help prevent possible damage.

Philippines BOC on CAO 3-2006

The Philippines Bureau of Customs (BOC) is set to appeal the decision of the lower court which voided Customs Administrative Order (CAO) 3-2006. CAO 3-2006 operationalizes Republic Act 9280 or the Customs Brokers Act of 2004 at the BOC.

The decision of the BOC to appeal its case before the Court of Appeals signals a long battle to determine the legality of CAO 3-2006, which is the basis of an amendment approved on September 2, that allows customs brokerage houses and freight forwarding firms to transact with the BOC. The court finds merit in the contention of the petitioner that CAO 3-2006 was issued in violation of the Administrative Code. According to the court, an 'order' is supposed to be directed to particular office, officials or employees, concerning specific matters including assignment, detail and transfer of personnel, for observance or compliance by all concerned. The same court also ruled there is no need for customs brokers to secure accreditation from BOC as the Professional Regulation Commission's Certificate and Professional Regulatory Commission License.

Update: Congestion in Doha



Rendering of Doha Airport

The Doha Airport Cargo Terminal has been completely congested for the past eight weeks. In order to clear this backlog, the ground handling agent, Qatar Aviation Services, an affiliate of Qatar Airways, is imposing various restrictions; including limitations on consolidated shipments. Additionally, high storage charges are being levied as of October 10. To avoid any delays or extra fees, KWE export operations teams will not be offering any consolidations to Doha for the time being. For urgent or priority shipments, KWE is investigating alternate routing options via Dubai.

Please direct any question regarding Doha bound cargo to your local KWE representative.

Air Cargo News Publishes 2005 IATA Information for North America

In its September 29, 2006 issue, Air Cargo News published a listing of the top forwarders based on IATA performance for 2005. KWE is among the top providers in both the United States and Canadian markets.

Customer confidence in KWE Canada continues to grow. In 2005, Kintetsu World Express Canada moved up to eighth in the IATA Canadian ranking from tenth in 2004.

*2005 IATA Rankings
Place KWE as the 8th
Largest Freight
Forwarder in Canada*

Canada		
Rank	Company Name	Spend US \$m
1	Exel	21.82
2	Kuehne + Nagel Inc	13.24
3	DHL	12.52
4	UPS	12.09
5	EGL Eagle	11.66
6	Panalpina	10.98
7	Schenker	10.82
8	Kintetsu World Express	8.37
9	Perishables Int'l	7.69
10	SDV	7.69

United States		
Rank	Company Name	Spend US \$m
1	DHL Danzas	168.93
2	Expeditors International	113.49
3	BAX Global Inc	111.95
4	EGL Eagle Global Logistics	105.66
5	UPS Supply Chain Solutions	70.62
6	Exel Global Logistics	66.01
7	Kuehne + Nagel Inc	60.61
8	Panalpina Inc	60.09
9	Nippon Express USA Inc	58.75
10	UTI United States Inc	49.91
13	Kintetsu World Express (USA) Inc	39.35

International Boycott

The US Department of the Treasury has published a list of countries which require, or may require participation in, or cooperation with, an international boycott. Customers who have shipments between the below listed countries and the United States should contact their local KWE representative to verify the current sanction at the time of shipment.

- Kuwait
- Lebanon
- Libya
- Qatar
- Saudi Arabia
- Syria
- United Arab Emirates
- Republic of Yemen

Iraq is not included in this list, but its status with respect to future lists remains under review by the Department of the Treasury.

*Please Contact Your
Local KWE
Representative for
Additional Information*

Resources for Export Assistance

From time to time, KWE USA export branch personnel receive calls from customers asking for assistance with:

- obtaining an Export Control Classification Number (ECCN) for a commodity, or
- determining whether a commodity requires an export license

KWE export personnel have extensive training and experience in facilitating the export of a wide range of products and commodities to destinations worldwide, they do not, however, have specific expertise in:

- classifying material according to U.S. export regulations and
- determining whether an export license may be required for a particular commodity

As noted below, these functions are outside of scope for authorized agents of exporters.

For personal assistance with obtaining an ECCN or applying for an export license, customers are encouraged to contact the Bureau of Industry and Security (BIS) – the licensing branch of the U.S. Department of Commerce - - TEL.: 202.482.4811 between the hours of 8:00 am - 5:00 pm Eastern time, or TEL. 949.660.0144 between the hours of 8:00 am - 5:00 pm Pacific time. As a further resource, instructions for obtaining an ECCN or an export license also are available on the Web site of the BIS at:

<http://www.bis.doc.gov/licensing/exportingbasics.htm>.

Additional assistance with export licensing matters is available by contacting the organizations listed on the Web site of the Trade Information Center (a comprehensive resource for information on all U.S. Federal Government export assistance programs) at: <http://web.ita.doc.gov/ticwebsite/tic.nsf/6a5f1120d49f8ae1852566330051f340/2293f68ac84bc73985256633005ff4d0!OpenDocument>

As noted on the Web site of the BIS at:

<http://www.bis.doc.gov/ComplianceAndEnforcement/FreightForwarderGuidance.htm>

KWE USA, acting as an authorized agent of an exporter, "should avoid making commodity classifications for which it lacks technical expertise".

For any questions about this article, or further information about this topic, please contact Bob Feke, KWE UHQ Operations Department, 440.826.1938.

Growth for KWE Vietnam



KWE Saigon

In line with the growth and development of economic and manufacturing operations in Vietnam, the staff at KWE Vietnam is undergoing extensive export operations training to prepare for a spike in export traffic. This training covers cargo receiving, weights and measures, labeling and cargo transfer to the airline warehouse. This training will streamline and optimized export handling processes and procedures, and enable KWE Vietnam to provide best of kind services in that developing environment.

Established in March 2005, KWE Vietnam has expanded to six locations staffed by 32 logistics professionals. The head office is located in Saigon; operational stations are located in Ha Noi, Hai Phong, Qui Nhon, Nah Trang, Can Tho and Da Nang. KWE Vietnam offers complete transportation services including air freight, ocean freight, Customs brokerage and warehousing / distribution operations.

KWE Seminar: "Next Generation Global Logistics"

On September 11, KWE Japan conducted the "Next Generation Global Logistics" seminar for over 100 enthusiastic attendees. The participants consisted of new and existing customers and KWE Japan board members and staff. Attendance exceeded initial expectations.

Topics covered during the seminar were:

- The Latest Situation in India
- Russia Market Attractions & Problems
- Panel Discussion

Each topic was addressed by a specialist in that subject matter, providing the audience with important information and useful case studies and business references.

A survey conducted at the end of the seminar revealed that audience members were most interested in India, the Russian railroad, the Russian economic trend and RFID. Seminar participants indicated that they would like to attend a similar seminar covering Brazil and BRIC's Customs clearance situation.

Based on this positive feedback, KWE Japan expects to host additional seminars in the future. Look for more news on upcoming seminars in future editions of the *Industry Update* or at www.kwe.com.



Panel Discussion

Expanded Facilities in Nanjing & Tianjin

On 18 September 2006, KWE China added two new warehouse facilities.

Nanjing Branch Airport Bonded Warehouse

Address: NO.5 Customs Supervise Storage, Cargo Center, Nanjing Lukou International Airport, China 211113

Tel: 86-025-52482106, 52482107

Tianjin Branch Logistics Park Warehouse

Address: No.98 Xingang Road, Tianjin Port Free Trade Zone, China 300461

Tel: 86-22-25762412, 25764369

The addition of these two new facilities further demonstrates KWE's commitment to expanding our network and service offering in China.



KWE China New Locations

KWE France Invited to Georges Duboeuf Management Training Seminar

On 13 September, at the invitation of Georges Duboeuf, Mr. JP Bellet, MD of KWE France joined a Management Seminar Training program in Macon. Georges Duboeuf is known around the world for its Beaujolais Nouveau wine. After the program, KWE France managers joined a strategic planning session and then were treated to an interesting tour of the new and modern Georges Duboeuf production Center.

KWE has been recognized as an outstanding supplier by the Beaujolais committee. This year KWE France is pleased to again be able to deliver Beaujolais Nouveau to the Japanese market for the opening day in November. To provide this service, KWE France works very closely with KWE Japan (U303) sales office.



KWE France Mgmt Team at Georges Duboeuf

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Holiday Schedule – November 2006

1 NOV	All Saints Day – Europe	KWE Offices Closed
3 NOV	National Culture Day – Japan	KWE Offices Closed
10 NOV	Veteran’s Day – USA	Gov’t Offices Closed
11 NOV	Remembrance Day – Canada	KWE Offices Open
23 NOV	Thanksgiving – USA	KWE Offices Closed
23 NOV	Labor Thanksgiving - Japan	
24 NOV	Thanksgiving Friday – USA	KWE Skeleton Crew
30 NOV	Bonifacio’s Day - Philippines	

OCTOBER 2006						
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NOVEMBER 2006						
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DECEMBER 2006						
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31						

Surcharge Monitor

Fuel Surcharge (FSC):

During the week of September 25, KWE received notices from multiple air carriers regarding proposed FSC reductions to take effect in early October. A further round of FSC reductions was first announced by Lufthansa Cargo on Monday, October 9. For US outbound cargo, the LH FSC will be reduced from \$0.55/kg to \$0.50/kg beginning on October 23.

Security Surcharge (SSC):

Several carriers announced increases to the SSC in late September and early October. LH announced a very significant change; SSC, which was previously assessed based on actual weight, is now charged based on chargeable weight.

Lufthansa Cargo has ceased publishing the weekly fuel index at their website. Future issues of the Industry Update will provide an overview of current fuel and security surcharges.

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.