

Industry Update

December 2007



Inside This Issue

- 1 [KWE Philippines Receives Top Honors](#)
- 2 [KWE Zurich - New Warehouse](#)
- 2 [Airline Industry Outlook for 2008](#)
- 3 [KWE France & KWE Japan Handle Beaujolais Nouveau Wines](#)
- 3 [HACTL Announces Healthy Growth in Air Export](#)
- 3 [Switzerland - New Export Declaration System](#)
- 4 [Canada's Atlantic Gateway](#)
- 5 [China Adjusts Holiday Schedules](#)
- 5 [Increase in Bunker Adjustment Factor \(BAF\)](#)
- 6 [Heavy Vehicle Fee \(HVF\) in Switzerland](#)
- 6 [C-TPAT - Minimum Security Criteria for Air Carriers](#)
- 7 [Carrier News](#)
- 7 [Shanghai Port to Raise Container Tariffs](#)
- 8 [Updates: EBAF & IFC](#)
- 8 [Holidays](#)

KWE Philippines Receives Top Honors

Kintetsu World Express (Philippines) Inc. was recently honored with three of the top awards under the Platinum Category during the 7th Cargo Industry Awards held in Manila last November 15, 2007.

KWE Philippines received the top awards for:

**Best in Logistics and Warehousing Facilities
Best in Transport Network and Equipment
Management and Best in Airfreight Management**

KWE Philippines has consistently been recognized with the Cargo Industry Awards since its inception. The Cargo Industry Awards is organized by the Global Cargo Carriers Inc. (GCCCI), the association of airline cargo managers and representatives in the Philippines to give recognition to air cargo forwarders who have shown excellence in service and all aspects of the business.

Masatoshi Kimura (President), Marilyn Alberto (AVP), Vicki Eugenio (Airfreight Operations Manager), Shuji Hattori (Sales Manager), and Rose Guiab (Export Operations Assistant) received awards on behalf of KWE.

KWE is very proud of all of KWE Philippines employees and appreciates the continued efforts to provide with the excellent service they have come to expect from us.



KWE Zurich - New Warehouse



Due to current negative developments at Zurich Airport's cargo facilities, KWE Zurich (ZRH) implemented a forward strategy and rented 320 m² (3,445 sqft) warehouse space in its existing business building at Grindelstrasse 9 in CH-8303 Bassersdorf / Switzerland.

The warehouse operation will start as of January 07, 2008 for import operation and on February 1st, 2008 for export operation.

The new warehouse facilities will enable KWE ZRH to secure a proper handling of existing and new business. In a second step, it will create new opportunities like building of own ULD's, participating to KWE Europe's Gateway concept as well as general warehousing and any kind of logistics work.

KWEZRH is looking forward to upcoming challenges and a great co-operation in the future.



Airline Industry Outlook for 2008

According to reports from IATA published in September 2007, net profits this year for airline industry has been revised from **\$5.1 billion** to **\$5.6 billion** due to strong improvement during the first half of this year.

On the contrary, net profits for **2008** were revised from **\$9.6 billion** to **\$7.8 billion**. The volatility of fuel prices, a pick-up in new aircraft deliveries and uncertainty caused by recent financial market volatility have been viewed as challenges which contributed to a more cautious view of the prospect for 2008. Out of total net profits, \$3.0 billion is expected to generate from Asia-Pacific region, \$2.5 billion from North America and Europe regions.



KWE France & KWE Japan Handle Beaujolais Nouveau Wines

Once again, KWE France & KWE Japan have been honored to handle and transport the famous Beaujolais Nouveau Wines from France to Japan.

Each year, the third Thursday in November is awaited by many people from around the world for the first taste of Beaujolais Nouveau. From little villages and towns like Romanèche-Thorins, over a million cases of Beaujolais Nouveau begin their journey through Paris for immediate shipment to all parts of the world. This year, fine weather conditions throughout the harvest season provided the ideal environment for grapes to mature.

This year KWE France set a record by shipping **1,975 tons** of the wine via air. The supply chain operations were successfully managed by a specialized operations team. The supply chain process was managed from the wine cellars up to the customer's door and included 24/7 customer service availability. During the shipping process, 107 trucks were booked and monitored from the different suppliers in the Beaujolais area and 9 charter aircrafts were booked to handle the shipments.

This year, the fruity flavor of '*Taste of Beaujolais*' has particularly been appreciated by customers.



HACTL Announces Healthy Growth in Air Export

Hong Kong Air Cargo Terminal Ltd (Hactl) announced 3.0 % year-on-year growth for air export tonnage in October 2007. The Export volume for October has reached 142,510 tons in October which remarked highest volume month. Cumulative export volume revealed year-on year growth of 2.8% by handling 1,199,305 tons.

The transshipment volume also showed strong increase of 4.9% against last year and 8.9% for year-on-year, representing 379,015 tons.

HKG Air Import tonnage for October' 07 was down by 2.18% against Sep 07.

Switzerland - New Export Declaration System



Swiss customs authorities are implementing **New Computerized Transit System (NCTS)** for export shipments. All air export shipments via Zurich Airport will have to be cleared by NCTS starting from January 01, 2008.

Our KWE Switzerland staff has been preparing for the new system which will consequently result in additional data input and a greater workload for the operations staff. However, KWE is confident that the new process will be managed with minimal to no delays for our customers. Relevant cost adjustments will be also worked out on individual basis in due time.

Canada's Atlantic Gateway

A memorandum of understanding (MOU) on the development of Canada's Atlantic Gateway has been signed by the Government of Canada and the provinces of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.



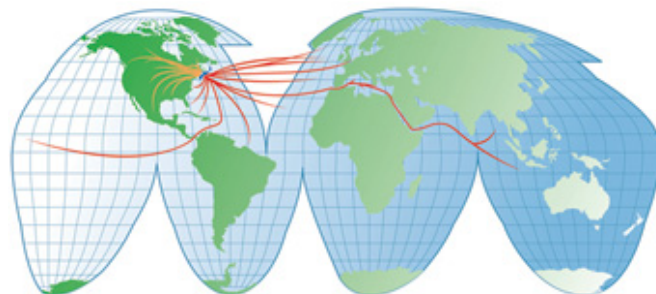
While there has been tremendous growth in the Asian and Indian economies, goods from these economic powerhouses are coming to North America in ships that are so large, and yet only few ports can handle them. Nova Scotia is one of those few. Nova Scotia is the closest landfall on the North American mainland and one day-sail closer to major northern European markets than any other North American port. Nova Scotia is committed to working with its neighboring Atlantic Provinces on the Gateway Initiative: and a committee of Atlantic Gateway.

The Government of Canada is dedicated to develop the country's trade gateways and corridors. An opportunity is strengthened by Canada's competitive position in international commerce. The Atlantic Gateway is expected to bring more foreign investment, more trade and increase Canada's overall competitiveness over the long term.

The common vision of the five governments is to establish the Atlantic Gateway as a strategic, integrated and globally competitive transportation system, facilitating the movement of international commerce on North America's east coast. An Atlantic Gateway strategy will benefit the Atlantic region and all of Canada by taking advantage of the region's geographical position and transportation assets.

The *National Policy Framework for Strategic Gateways and Trade Corridors* has been developed by the Government of Canada to measure Canada's competitiveness in the rapidly changing global economy by focusing on the transportation systems that connect Canada with the world.

Moreover, Canada's New Government is initiating its infrastructure plan called, "*Building Canada*" with a budget of \$33 billion between 2007 and 2014. This figure represents more funding for provincial, territorial and municipal infrastructure, and for a longer period of time than any federal government since the Second World War. \$2.1 billion of Gateways and Border Crossing Fund is expected to be used to enhance infrastructure at key locations, such as major border crossing between Canada and United States.



China Adjusts Holiday Schedules



A Chinese government panel has announced plans to adjust the holiday schedule. It may appear as re-emphasizing traditional festivals at the expense of the Marxist May Day celebration but the main reason is to spread the logistics load.

The new schedule aims to solve problems on severe overloading of China's air, rail and road links in the first week of May, when virtually the entire country goes on vacation. The long holidays are intended for citizens of China to visit distant family members or head for vacation destination and it has been causing serious transportation nightmares.

The change in Holiday schedules are:

Three traditional Chinese festivals will each become *one-day* public holidays.

The new holidays are Tomb-Sweeping Day in April, the Dragon Boat Festival in June and the Mid-Autumn Festival in September.

Chinese New Year, usually in late January or early February, and National Day, October 1, will continue as three-day national holidays. They typically expand to seven days through the rearrangement of weekends.

The first official day of Chinese New Year will also be recalculated to fall one day earlier, making it easier for laborers facing cross-country bus and train rides to reach their families in time for the height of the celebrations.

The change in Holiday schedule is expected to take a place early next year.

Increase in Bunker Adjustment Factor (BAF)

The Trans-Atlantic Conference Agreement (TACA) announced that due to significant increase in fuel prices since TACA's previous adjustment in September of this year, an adjustment of TACA's BAF has been triggered at the following levels.

Traffic to/from and via:

Atlantic/Gulf Coast Ports	Pacific Coast Ports
\$ 752 per 20ft container	\$ 1128 per 20ft container
\$ 1504 per 40/45ft container	\$ 2256 per 40/45ft container
WM \$75.00	WM \$113.00

This will come in effect from December 16th, 2007 through, at least, January 15th, 2008.

The members of TACA carriers are:

Atlantic Container Line A.B.
Maersk Line
Mediterranean Shipping Co.
Nippon Yusen Kaisha (NYK) Line
Orient Overseas Container Line

Heavy Vehicle Fee (HVF) in Switzerland

The Swiss Government has introduced and implemented a plan to levy Heavy Vehicle Fees (HVF) since 2001. The third step of this plan will take place as of January 1st 2008. The increase of HVF will affect Switzerland's road services for pick up and delivery of air cargo as well as road feeder service for ocean freight to and from Switzerland.

The calculation principle is very complicated and the average increase has been announced with approx. 6%. It has to be taken into consideration that volumes and distances will diverge from the 6%.

KWE Switzerland will review all current FCA Charges for exports and delivery costs for imports.

Further details can be found on the following internet sites:

www.astag.ch

www.spedloggswiss.ch

<http://www.news.admin.ch/message/index.html?lang=de&msg-id=14499>

C-TPAT - Minimum Security Criteria for Air Carriers

A document outlining minimum security criteria for air carriers participating, or wishing to participate, in the Customs-Trade Partnership Against Terrorism (C-TPAT) program has been posted to the website of the U.S Customs and Border Protection.

Few of outlines discussed in the documents are :

Security Procedures - All carriers should guarantee that contract aircraft service providers commit to C-TPAT security recommendation through a contractual agreement.

Container or Unit Load Devices (ULD) Security - All Carriers must use high security seals and accountable tracking process. Special consideration and security procedure must be documented and verifiable.

Physical Access Controls – An employee must place valid identification and visitors/vendors/services-providers must present photo identification upon arrival.

Personal Security – Background checks, employment history, and reference must be verified for prospective employees. Current employees should be checked periodically based on sensitivity of the employee's position.

Procedural Security – All carriers must have procedures and security measures in place to protect integrity and security relevant to the transportation, handling, and storage of cargo in the supply chain.

Physical Security – Cargo handling, storage facilities, and container/ULD yards must be secured with fencing, gates, locking devices and alarms systems/ video surveillance cameras.

Information Technology (IT) Security – An employee must be given a password to a system which requires a periodic change.

In order to view full text of the C-TPAT study report, please go to,
http://www.cbp.gov/xp/cgov/import/commercial_enforcement/ctpat/air_carrier_criteria/



Carrier News



- **British Airways World Cargo (BAWC)** will have the first direct freighter service from Britain to Shanghai. This will extend BAWC's global network to and from Asia Pacific, the Indian Sub-Continent, the Middle East, Europe and the United States.

BAWC is the first UK airline to add freighter capacity to China following an air services agreement between the UK Department for Transport and the Civil Aviation Administration of China.

The airline will operate a twice-weekly service with a B747-200F to Shanghai and the additional capacity will complement BAWC's existing freighter schedule to Hong Kong and India.

- **Singapore Airline** will launch weekly freight flight between SIN and Hanoi with a stop at Pudong beginning Jan 11, 2007, which is to further facilitate business development between Vietnam and China/South-east Asian area.

- **HK Express (UO)** introduced daily flights HKG-KUL with B737 starting November 11, 2007.

- **Dragonair** has upgraded aircraft to Airbus330 for HKG-TAO since October 29, 2007 providing more belly space for cargo with ULDs (Unit Load Device) which help to minimize cargo damages during loading and unloading. More space and less damages are expected as result.

- **UK International Airlines** commenced their service to Sharjah Airport from East Midland on every Tuesday and Friday and Return on Wed and Sat.

- Continuing fuel surcharge increases in December bring about a fuel surcharge limit of 0.80 EUR/kg by several major airlines by November 29, 2007.



Shanghai Port to Raise Container Tariffs

Shanghai International Port Group has announced that it will raise container tariffs at its ports starting beginning next year.

The fees at Waigaoqiao port will be increased by **10%** to \$74 per TEU (a standard container), while fees at Yangshan port will rise by **21%** to \$69 per TEU. This increase will lead to ports' annual revenues by US\$119 million.

Many analysts forecast that by 2008, Shanghai will be the busiest container port in the world. However, in order to achieve this goal, it needs to pass Hong Kong and the current leader, Singapore.



UPDATE : Emergency Bunker Adjustment Factor (EBAF) Inland Fuel Charge (IFC)

Notice of fuel surcharge increases by ocean carriers for export shipments. There are two separate charges. One is the standard **Quarterly Emergency Bunker Adjustment Factor (EBAF)**, which it is for ocean sectors. The second is a new **Inland Fuel Charge** being assessed due to continue rising fuel costs in the USA for intermodal (truck & rail) sectors. These two increases will be effective **Dec 01 – Dec 31, 2007**.

EBAF:

	Eastbound (to USA)	Westbound (from USA)
20' container	USD616.00	USD615.00
40' container	USD770.00	USD770.00
40' HQ container	USD865.00	USD865.00
45' container	USD980.00	USD980.00

IFC:

Inland transported by truck: \$75 per container

Inland transported by truck and rail combination: \$258 per container

Should you have any questions or require further clarification on the above increases please contact your local KWE office or your account executive.



Holiday Schedule – December 2007

1	Dec	National Holiday – UAE	All offices closed
16	Dec	Day of Reconciliation- South Africa	Skeleton Staff
19-20	Dec	BakrEid Holidays – UAE	All offices closed
20	Dec	Hari Raya Haji – Singapore	All offices closed
24	Dec	Christmas Eve – Germany	
25	Dec	Christmas – Australia, Canada, Germany, Hong Kong, Korea, Japan, Ireland, Italy, Singapore, South Africa, USA	All offices closed
31	Dec	New Year's Eve – Germany	All offices closed in the evening

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