

Industry Update

February 2009



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KWE Signs an Agreement with KTS in Kuwait

KWE has signed a global freight forwarding agreement with leading shipping and logistics company Kuwait Transcontinental Shipping Company (KTS). KTS will be the exclusive partner of KWE for the movement of cargo between Kuwait and worldwide destinations.

Established in 1977, KTS' commitment to ISO quality standards is unique in the Kuwait market and translates into extreme service benefits for clients. The implementation of strict Key Performance Indicators (KPI's) and the disciplined structure of the company positions it well for expansion alongside organic and sales driven growth.

Yoshinori Watarai, KWE's director for South-East Asia and Middle East region, is confident that KTS's 30 years of experience in Kuwait will enable KWE to leverage their local expertise and knowledge further enhancing KWE's competitive strengths in the region for strategic business development.

Mikko Wieru, general manager of KTS believes that the exciting collaboration will allow the company to offer customers the benefit from the partner's global network and strong links to the Asia Pacific markets.

Furthermore, Wieru expects the volume growth from this alliance will enable KTS to expand their market share which is inline with the company's strategic goal to consolidate a leadership position in Kuwait. KTS is also looking at opportunities to develop Iraq business as well.

The agreement between KTS and KWE will further strengthen and deepen in other areas for the mutual benefit of their customers and businesses.



USA - New Cargo Security Requirements (10 + 2) , Importer Security Filing

With the passage of the SAFE Port Act of 2006, and as part of a mandate by Congress to improve overall container security; the U.S. Customs and Border Protection (CBP) is required to collect additional data elements necessary to perform Advance Target Screening (ATS) of ocean cargo and to identify high risk shipments for security based examinations.



This new regulation requires the importer or his designated agent to supply 10 data elements to be transmitted electronically to CBP no later than 24 hours prior to vessel loading at the designated foreign port of lading.

CBP will not mandate full enforcement of the ISF data collection during a 12 month delayed enforcement period from January 26, 2009 thru January 25, 2010 as long as importers are making a good faith effort and satisfactory progress towards compliance. CBP will also conduct a review to determine specific compliance difficulties that importers may face in complying with the rule.

The details of the ISF program and requirements are outlined below.

1. Who can file the Importer Security Filing; (source: CBP FAQ document)

The ISF importer or his designated agent will be responsible for filing the complete, accurate, and timely Importer Security Filing. For the purposes of the interim final rule, ISF importer means the party causing goods to arrive within the limits of a port in the United States.

For foreign cargo remaining on board (FROB), IE & T&E shipments, the ISF importer is construed as the Carrier and the Carrier is responsible to transmit the following 5 ISF data elements electronically to CBP 24 hours prior to vessel lading and those data elements are as follows:

- Booking party name and address
- Foreign port of unloading at final destination
- Place of delivery (city code)
- Ship-to name and address
- HTSUS number (provide at least up to the 6 digit level)

2. ISF Data Elements required from the Importer

The ISF for US inbound ocean cargo consists of 10 data elements from U.S. Importers listed as follows:

- Manufacturer (or seller) name and address
- Seller name and address
- Buyer name and address
- Ship-to name and address
- Container stuffing location
- Consolidator (stuffer) name/address
- IOR# /FTZ applicant identification #
- Consignee Number
- Country or Origin
- HTSUS Classification

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3. Carrier's Requirements

- Vessel Stow Plan
- The Stow Plan must include Vessel Name, Vessel Operator, Voyage Number, Container Operator, Equipment Number, Equipment Size and Type, Stow Position,
- Hazmat code, Port of Lading, and Port of Discharge
- Container Status Message (CSM)
- Container Status Message must include Event code being reported Container Number Date and time of event being reported, Status of the container (empty or full) Location where the event took place Vessel identification. This must be done no later than 24 hours after the message is entered into the carrier's equipment tracking system.

Importer Preparation

The ISF will be submitted at the house bill level or lowest level for consolidations so the shipper/seller must be able to provide their portion of the required 10 data elements for each house bill shipment. The Importer must collaborate with their shippers to ensure the required data elements are provided to their designated ISF filing agent within the time parameters that allow for successful transmission of the ISF to CBP 24 hours prior to vessel lading.

The Importer must be able to provide all 10 data elements to their designated ISF agent far enough in advance of the shipment loading date to facilitate the filing of the ISF.

KWE as freight forwarder and customs broker can offer the service to transmit the ISF on behalf of our clients. For further questions and interest in our services please contact the Kintetsu World Express USA Inc. Corporate Trade & Compliance department by email at customs_compliance_group@am.kwe.com

IATA's Gloomy Forecast

IATA forecasts that weakening economic conditions will drive the world's airlines industry loss of \$2.5 billion in 2009 with all regions, with the exception of the US who is predicted to report more substantial losses than last year.

The cargo traffic is expected to decline by five percent overall, following a drop of 1.5 percent in 2008.

IATA expects that with 45 percent of the global cargo market, Asia-Pacific carriers will see losses more than double from \$500 million in 2008 to \$1.1 billion in 2009. European airline losses will grow to \$1 billion; Middle East and Latin America airlines will double their losses to \$200 million respectively; and African airlines will see losses of \$300 million.

Giovanni Bisignani, IATA's Director General and CEO said, "The outlook is bleak. We face the worst revenue environment in 50 years."

Bisignani further noted in a statement regarding the continuing contraction of air cargo that started in June 2008, "Air cargo comprise 35 percent of value of goods traded internationally. The 7.9 percent decline in October is a clear indication that the worst is yet to come - for airlines and the slowing global economy."



Canada - South Fraser Perimeter Road project



The 40 Kilometer route, South Fraser Perimeter Road project has been approved for a major highway in the province of British Columbia.

This project is part of British Columbia's Gateway Program and the Government of Canada's Asia-Pacific Gateway and Corridor Initiative. The new 40-km, four-lane route will directly link current port facilities, rail yards and industrial areas to Highways 1, 91 and 99. The new road will improve transportation links for both local residents and industry while taking congestion away from existing metro roadways.

It is estimated that the project will cost nearly \$1 billion and will be funded by Ottawa, the nation's capital, and the province of BC in the amount of \$365 and \$635 millions respectively.

It will be built by a private-public partnership which will be selected later this year. Major construction on the new highway - a 40-kilometre route that will link port, rail and industry facilities to existing highways - is expected to begin in 2010.

The benefits of this development include 7,000 new jobs to be created by 2021, increased trade with the Asia-Pacific, and an easing of port congestion so goods can move through the region more efficiently. It will further improve traffic safety, travel and trade for families and businesses throughout metro Vancouver.



Shanghai Unaudited Profits Up for 2008

Despite the worsening global economy condition, China's biggest port, Shanghai announced unaudited net profit in 2008, rose 27 percent from 2007 representing a robust increment of 27% year on year.

Shanghai slowed down its growth rate compared to previous years, but continues to maintain a reasonable growth. Its container throughput increased 7.1 percent to 28 million TEUs. Total handled cargo reached 369 million tonnes, up from 353 million tonnes in 2007.

China - TEDA Bonded Logistics Center

The TEDA Bonded Logistics Center has been approved by the General Administration of Customs, the Ministry of Finance, the General Administration of Taxation, and the State Administration of Foreign Exchange.

As one of China's earliest development zones, Tianjin Economic-Technological Development Area (TEDA) was set up on December 6th, 1984 upon the approval of the State Council.

TEDA is located at the center of Bohai Economic Ring, where it conveniently covers the broad domestic market. It is connected with Beijing (130km) and Tianjin downtown (40km).

Tianjin Port currently enjoys easy access to over 400 ports in 180 countries and regions worldwide. Today a dredging project for a 250,000-ton waterway is under way. Once finished, the turnover at the Port will exceed 500 million tons and container capacity of 12 million TEUs by 2010.

Since 1997, the Ministry of Commerce of China began a comprehensive appraisal on investment environment of all national-level development zones which covers eight major indicators such as overall economic strength, infrastructure, operation cost, human resources and supply, society and environment, facilitation for technology innovation, management system building, and development and efficiency. For ten consecutive years, TEDA topped the list and rightfully deserves the title as the hottest investment spot in China and the Asia-Pacific at large.

Serving as an integral and dynamic part of Tianjin's comprehensive bonded logistics system, the Bonded logistics center of TEDA is a new logistics entity apart from the special customs surveillance places such as the Tianjin Port Free Trade Zone (TPFTZ), Export Processing Zone (EPZ), bonded logistics park, bonded port, comprehensive bonded area, and bonded customs surveillance forms such as bonded warehouse and export surveillance warehouse.



USA - Clean Truck Fee

The Port of Los Angeles and Port of Long beach will begin collecting fees for its Clean Truck Program on February 18, 2009,

The Clean Truck fee (CTF) that was originally to be assessed effective November 17, 2008 had been delayed pending resolution of outstanding regulatory issues.

As a part of the Clean Air Action Plan of the Ports of Long Beach and Los Angeles, The Clean Trucks Program has the goal of reducing emissions of harmful pollutants by 45 percent by 2012. The Clean Trucks Fee is the charge in the ports' tariff for cargo entering or leaving the port terminals via truck, and will be used to fund the purchase of new, clean trucks through the ports' grant program.

Beginning October 1, 2008, the Port took the unprecedented step of banning the most polluting trucks - 1988 and older vehicles - the initial ban in a series planned under the Clean Truck Program. On January 1, 2010, the Port plans to ban 1993 and older trucks, and un-retrofitted model year 1994 to 2003 trucks. By January 2012 all vehicles 2006 and older will be banned.

The money collected will be transferred to the ports to provide financial assistance for the replacement of thousands of trucks during the next three years.

Effective : 18-February-2009

Applicable to : Export and import cargo moving by truck to/from/via the ports of Los Angeles/Long Beach

Not applicable to: (1) Empty containers, (2) non-containerized cargoes moving by truck through the ports, and (3) containers moving via on-dock rail which are loaded within the port terminals or the Terminal Island Container Transfer Facility in the port of Los Angeles. In other words:

- If container is moved down the Alameda Corridor, arrives at a terminal and is placed directly onto an on-dock rail yard, no trucking is involved and thus no CTF will be assessed.
- If container is delivered to a terminal via rail to the on-dock and then moved directly onto the vessel, no trucking is involved, and thus no CTF will be assessed.
- On the other hand, if a container arrives at a terminal and must be drayed from the terminal to a near dock rail yard, then the CTF will be assessed.

As previously announced, in order to cover our compliance and administrative costs, we, at KWE, regretfully will assess the following CTF-related charges.

	WM	PER 20'	PER 40'	PER 40'HQ	PER 45'
CTF	\$ 3.00	\$ 35.00	\$ 70.00	\$ 70.00	\$ 70.00
CTF Processing Fee	\$ 10.00 per B/L	\$ 10.00 per CNTR	\$ 10.00 per CNTR	\$ 10.00 per CNTR	\$ 10.00 per CNTR



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.



Carrier News



- **Singapore Airlines** will reduce the number of flights connecting the city-state to parts of the United States, Europe, India and Thailand.

The frequency of flights will be reduced from Singapore to New Delhi, Hyderabad and Mumbai in India, while some flights to Bangkok and London will be suspended. The frequency of all-business flights from Singapore to the US will also be reduced, while flights to Kuwait and Cairo will be increased.

Additionally, Singapore Airlines will be adding flights to the Gulf Arab region to tap growing demand despite the global downturn.

Flights to Kuwait will be launched in March - increasing its weekly flights to Abu Dhabi to seven from three. With the expansion, Singapore Airline will be operating 38 flights a week to the Gulf, of which 28 are to the United Arab Emirates alone.



- **Japan Airlines** announced that it will reduce the number of weekly cargo flights between Tokyo Narita and Los Angeles from the current five to four and suspend cargo flights on seven other international routes.

Currently, JAL operates 10 weekly cargo flights to the U.S. -- five each to Los Angeles and Chicago. The reduction of weekly cargo flights to Los Angeles from six to five was just announced this month. Further to that, JAL also discontinued its seven weekly cargo flights between Narita and New York, including one via Chicago, this month.

- **Icelandair** will commence a B757 service from Reykjavik to Dusseldorf daily in summer, whilst Mahan Air already operates four flights a week with an A310 and will expand to daily frequencies shortly.

HHS Opens Two U.S. FDA Offices in India

U.S. Department of Health and Human Services (HHS) and the Food and Drug Administration (FDA) opened two new offices in New Delhi and Mumbai, India.

Secretary Leavitt stated that through these offices, FDA can work more closely with manufacturers to share best practices and ensure producers build quality and safety into food and medical products.

As a part of HHS/FDA's Beyond Our Borders Initiative, it will place 35 HHS/FDA personnel in 14 locations around the world, mostly connected to U.S. Embassies, Consulates and Missions.

HHS/FDA currently has offices in China, Central America, India, and Europe. HHS/FDA also plans to post FDA personnel to several more locations in 2009 - México, South America, Europe and the Middle East.

UPDATE : Bunker Adjustment Factor (BAF) Inland Fuel Charge (IFC)

Notice of fuel surcharge increases by ocean carriers for export shipments. There are two separate charges. One is the standard **Bunker Adjustment Factor** (BAF), 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 **February 01 – February 27, 2009**.

	<u>EBAF:</u>	
	Eastbound (to USA)	Westbound (from USA)
20' container	USD292.00	USD240.00
40' container	USD365.00	USD300.00
40' HQ container	USD411.00	USD300.00
45' container	USD462.00	USD300.00

IFC:

Inland transported by truck: \$90 per container
Inland transported by truck and rail combination: \$311 per container

Holiday Schedule – February 2009

9	February	Makha Bucha Day – Thailand
11	February	National Foundation Day – Japan
16	February	Presidents' Day – USA
17	February	Family Day – Canada (Businesses, Provincial Government and Banks are closed in Ontario, Alberta, Saskatchewan)
23	February	Rose Monday Parade – Düsseldorf, Germany (KWE DUS- Skeleton Staff)

Recently we have been seeing announcements from several carriers regarding pending Fuel Surcharge changes. The continued fluctuations of the global barrel prices are the driving force behind these possible and anticipated changes. 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