

Industry Update

September 2007



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Kintetsu Eurasia Express, Inc. Establishes Representative Office in Tashkent, Uzbekistan

On August 1, Kintetsu Eurasia Express, Inc. an affiliate of the KWE group) announced the establishment of a representative office in Tashkent, the capital of the Republic of Uzbekistan. KEE was established in April, 2004 as a service company to cultivate KWE's operations in Russia and other CIS countries.

In line with robust economic growth in the surrounding countries of Russia and Central Asia, an increase in transport demand is forecasted. A wide range of freight, especially plant construction and infrastructure creation machinery and equipment, as well as vehicles and ancillary parts are anticipated.

The city of Tashkent, where KEE has established this business hub, is the largest city within Central Asia with a population of 2.15 million people. Through KEE's service network a number of strategic alliances have been developed for business within Russia, but the establishment of the Tashkent office is KEE's first independent overseas office start up.

KEE, using its independently developed know-how, is able to provide comprehensive freight forwarding services by rail, sea, road and air over a wide area that encompasses all of Russia and other CIS member countries. Centering around the Tashkent representative office, there are future plans to further expand business within Central Asia.

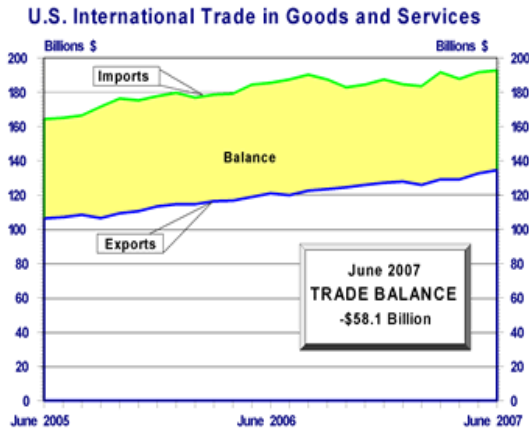
Name	Kintetsu Eurasia Express Inc. Tashkent Representative Offices
Address	Dedeman Silk road Tashkent Hotel, Room# 124, 125 St. Amit Temur C-4, No. 7/8, Tashkent, Republic of Uzbekistan TEL. +998-71-120-3370-3371 FAX +998-71-120-3372
Number of Employees	4
Manager	Mr. Sho Ishiguro

U.S Export Increases by 11.0%

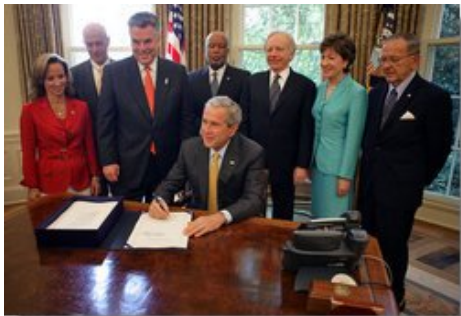
The June 2007 U.S. International Trade in Goods and Services by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis indicates that U.S exports increased by **11.0%** to \$779.2 billion year-to-date over the same period in 2006. The largest export markets for U.S. goods in the first half of 2007 (with percent increase over the first half 2006) were Canada (\$121.9 billion, up 4.4%), Mexico (\$67.0 billion, up 0.7%), Japan (\$31.4 billion, up 8.7%) and China (\$30.5 billion, up 18.8%). Imports also increased **4.4%** to \$1,132.0 billion. Overall, U.S. trade deficit has fallen by 7.7% compared to the same period of 2006.

The Congress is committed to boosting the export expansion further by passing the pending Free Trade Agreement (FTA) with Peru, Colombia, Panama, and Korea. The Congress is confident that the consumers, workers, companies, farmers and ranchers will benefit from agreements to further open global markets to U.S. exports.

After implementing FTAs with six countries in Western Hemisphere, Chile, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua in the export to these countries grew 13.3% in the first half of 2007 compared to the first half of 2006.



President Bush Signs "Implementing Recommendations of the 9/11" into Law



The White House has issued a press release on August 3, announcing that President Bush signed the conference version of H.R. 1, the "Implementing the Recommendations of the 9/11 Commission Act of 2007," into law.

One of the recommendations of the 9/11 Commission was to establish deadlines for 100% scanning of U.S. bound containers at foreign ports. It requires :

- Screening of all cargo on passenger planes within three years
- Sets a five-year goal of scanning all container ships for nuclear devices before leaving foreign ports.

President Bush stated that he will "continue to work with Congress to ensure the workability of the cargo screening provisions in a way that increases our vigilance on homeland security while ensuring the continuance of vital commerce."

Vancouver Experiences Record Tonnage Growth

Port of Vancouver claims record growth in overall tonnage during the first half of 2007. All business sectors with the exception of break bulk celebrated gains.



Having overall tonnage at 7.8 million in June, the Port of Vancouver had its highest ever volume for a one month period. This figure is nearly 300,000 tons higher than the previous record last October 2007 and it is shaping up to be a record-breaking year. Overall, total tonnage increased by 4.5% to a record 39.9 million tons.

The economic expansion and manufacturing activities in Asia with demand of minerals, metals and inorganic chemicals have contributed to Vancouver Port's record overall tonnage growth. Strong trade flows between Canada and the U.S. saw petroleum products, particularly crude oil and jet fuel, increased by 18%. Container traffic increased by 5%, reflecting growth of laden import and export traffic. Volumes reached 1,086,640, up from 1,035,189 at the mid-year mark in 2006. In addition, outbound laden container traffic is contributing to a very positive outlook for the year overall.

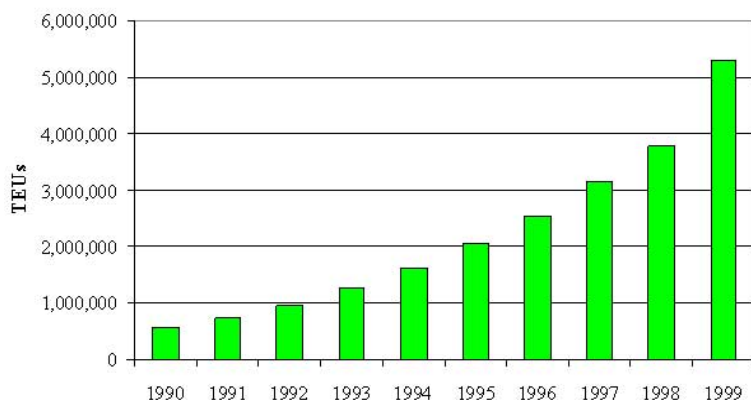
Break bulk cargo was down slightly in response to an increasing shift of break bulk volumes to containers and a reduction in steel imports, as well as the decline in wood pulp exports.

Yangshan Port Development, China

The Port of Shanghai is likely to become the world's second largest container port in terms of container traffic in 2007. Container volume at the port has surged since the completion of the first and second phase of *Yangshan Port Development*. Shanghai ports have delivered 12.5 million TEUs in this first half of 2007 and is expected to exceed 25 millions TEUs for the entire year.

Along with growth comes success and expansion and Shanghai International Port Group is accelerating its acquisition of overseas and domestic ports. It plans to invest in Belgium's Zeebrugge Port and China's Jiujiang Port.

The port of Shanghai has experienced an explosive growth rate, averaging 29% per year in the last three years



The amount of cargo handled at the Shanghai ports

Carrier News

• **Air India and Indian Airlines** announces the merger of the two companies forming a new entity to be known as **"Air India"**. While the new Company will have its registered office in New Delhi, its Corporate Office will be in Mumbai. Offices for domestic operations as well as the Strategic Business Units will be mostly based in Delhi. The Mascot of the merged airline will be the Maharajah. As **"Air India"** is a globally and nationally recognized brand name, as well as the designated airline in international bi-laterals, it has been decided that the merged entity would continue with the same name and 'AI' code.

• **Air India** increased freighter flights between India and Germany. **Air India** increase their Airbus-310-Freighter flights between India (Mumbai) and Frankfurt/Germany from 2 to 5 flights per week. All flights make a stopover in Dammam (Saudi Arabia) for refueling. 3 of these 5 flights are rerouted from Mumbai to Chennai (Madras), one flight to Bangalore. The service of **Air India** between India and Germany started on June 28, 2007.

The Grand Alliance

The Grand Alliance — Hapag-Lloyd Container Line (**HLCL**), Nippon Yusen Kaisha (**NYK**), Orient Overseas Container Line (**OOCL**) and Malaysia International Shipping (**MISC**) — will operate eight container vessels on the new line.

The Grand Alliance launched a new route between north China's port city of Tianjin and the US east coast. The new service will cover the ports of Dalian, Qingdao, Ningbo and Shanghai in China, Pusan in the Republic of Korea and New York.

The Grand Alliance has previously launched two other ocean routes between Tianjin and the US west coast, and between Tianjin and Europe. This new venture is the first shipping route connecting the US east coast with the port of Tianjin.

China plans to make Tianjin Port in north China an international shipping center. The world's top 20 shipping lines have all opened services at Tianjin Port, which has now more than 100 container shipping lines and trade links with more than 400 ports in some 180 countries and regions. Tianjin Port handled nearly 3.36 million TEUs of containers in the first six months, up 21% year-on-year

New Service between Hong Kong and Chittagong

Kintetsu World Express HKG and Saybolt Container Line have developed a Self Run Service to help our valued customer avoid long transit times and heavy congestions in Chittagong, Bangladesh.

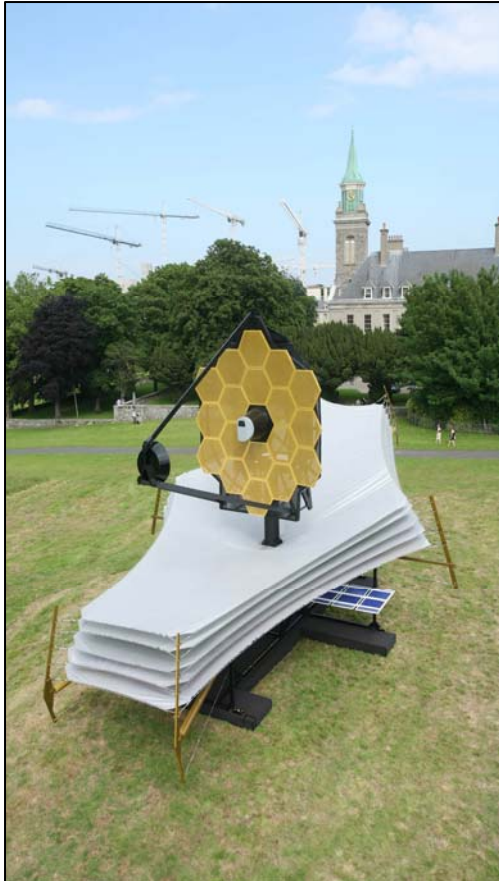
We are now offering –

- 3 Sailings a Week from Hong Kong to Chittagong for FCL with 12-14 days Transit.
- Weekly Own LCL Consolidation from Hong Kong to Chittagong
- Weekly 3 Sailings a Week from Shanghai to Chittagong via Hong Kong



KWE Brings Space Technology to The Viewing Public

Ireland's science community and astronomy enthusiasts got their first look at the new James Webb Space Telescope during the recent visit of a life-sized model to Dublin this summer.



The model's visit to Ireland is thanks in part to **KWE USA & KWE Ireland** who arranged the Ocean freight transfer from Washington to Dublin. The full size telescope model platform covers an area equivalent to that of a tennis court. It had to be transferred in 2 parts by specially adapted shipper-owned 40 ft High cube containers. Built and funded by Northrop Grumman Space Technology, (the same people tasked with building the real James Webb Space Telescope for NASA) the model mimics the actual platform in form and visual detail. The model frame & materials used had to be specifically designed taking into account the need for terrestrial transportation, gravity & to ensure survival in adverse weather conditions whilst on display.

Manufactured from aluminium and steel, the life size model weighs 5,928 kg. It is 25 meters long, 12 meters wide and 12 meters feet tall. It takes a crew of 12 approximately four days to assemble.

The platform represents NASA's next-generation of space telescope and is designed to look back more than 13 billion years in time, promoting greater understanding of how galaxies, stars and planets formed and to bring greater insight into the evolution of our own solar system.

The model's summer visit to Ireland came to a close at the end of July, where KWE services were again called upon to return the Telescope Model in good order to Washington.

KWE Ireland and KWE USA are proud to have played a small part in bringing this Model to Ireland, assisting the Dublin Institute of Advanced Study demonstrate this amazing technology to the viewing public in Ireland and safely returning it to Washington.

The actual working components of the James Webb Space Telescope are currently under manufacture. When finally assembled and fully tested, NASA would expect to launch the Telescope sometime in 2013.

Beijing KWE Tianjin Branch Relocates

The Beijing Kintetsu World Express Co.,Ltd. TianJin Branch domestic warehouse has been relocated as of July 2007.

New Address: No.29 The 3rd Avenue, Tianjin Airport
International Logistics Zone, Tianjin, China.
300300
Tel: 86- 22-84889100、 84889912
Fax: 86- 22-84889913

China Faces Air Traffic Growth

With sustained economic growth and rapid development of tourism and foreign trade, the China's air transport industry has shown rapid growth in the first four months of 2007. China's aviation authority reported the collective profit of Chinese air carriers topped CNY900 million (\$118 million, reversing a loss of four times that amount a year earlier).

The group acknowledged the industry was developing too fast, pointing out that air carriers had added 45 aircraft in the first four months of the year and are expected to take delivery of 150 total aircrafts in 2007, 140 new aircrafts in 2008, 160 in 2009, and 140 in 2010. Cargo traffic grew 14.6% to 1.5 million tons through April and is expected to reach 1.8 million tons for the first half.

The market's growth, on the back of an economic boom and rising incomes, has attracted attention from various air freight carriers. Continental Airlines, Delta Air Lines, Northwest Airlines and US Airways launched formal bids to operate new services to China. The new services will become available under an expanded aviation agreement between the US and China signed recently.

Meanwhile, applications to start new airlines will be suspended until 2010 and the growth of existing airlines would be subject to government controls, according to the General Administration of Civil Aviation of China. In the midst of a huge expansion in preparation for the 2008 Olympics, the regulator has announced that it would impose sharp capacity constraints and cuts to the flight schedules of the main airlines serving Beijing Capital International Airport, the busiest in the country, which handles 13 million more passengers per year than its facilities were designed to support. Flight arrivals and departures at Beijing Capital Airport will be restricted to 1,050 per day, or 58 per hour at peak times, by the end of October, and fall further to 1,000 per day, or a maximum of 55 at peak hours, by the end of March, the notice said.

Despite a five-year plan to build 48 new regional airports and recruit 5,000 new pilots by the end of 2010, Chinese government worries these investments would not be sufficient enough to guarantee safe and efficient air travel due to lack of technical personnel, airspace and airport ability.



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Canada – New Regulation on Cheese identity



The Canadian Food Inspection Agency (CFIA) has proposed changes by amending the existing cheeses identity and compositional standards. It is designed to eliminate inconsistencies between the Food and Drug Regulations and the Dairy Products Regulations.

The proposed amendments will require licensing of cheese importers. This will allow the Agency to work with importers to verify that imported cheese meet the same compositional standards as domestic cheeses. The changes will also affect the importers in labeling of their cheese products by meeting the Canadian standard for cheese productions. The complete licensing process and regulations have not been determined.

The changes will not heavily affect U.S exporters as U.S made cheese are required to be made completely or primarily from milk. In addition, the Agency does not expect a change in total quantities of imported cheese nor significant financial impact on the sector. There is to be a one-year transition period provided in the proposed amendment in order to minimize any effect.

The HS code and quota issues are not expected to change. However, the cheese today may be not qualified to be called 'cheese' once this amendment takes place. If the cheese does not meet the new Canadian regulatory standards, it will either have to modify the ingredients of their cheese, or call it something else.

Nutrition Labeling Compliance for Small Manufacturers in Canada Fast Approaching

On January 1, 2003, Health Canada published amendments to the Food and Drug Regulations regarding nutrition labeling, nutrient content claims and diet-related health claims. The regulations became mandatory for most companies on December 12, 2005.

Smaller companies with gross revenues of under \$1 million in total food sales in Canada for the 12-month period leading up to December 12, 2002, had an extended two year compliance date, which is now fast approaching. After December 12, 2007 all prepackaged food products sold in Canada must comply with the applicable nutrition labeling requirements.

The amendments to the regulations focus on requirements for mandatory information, the presentation of nutrition information in the form of a Nutrition Facts table, and the appropriate use of claims.

The CFIA and Health Canada have developed a number of tools to assist the industry in implementing these new regulations and promote compliance. The CFIA has published the Nutrition Labeling Compliance Test, the Nutrition Labeling Toolkit and updates to the 2003 Guide to Food Labeling and Advertising. A Nutrition Labeling Brochure has also been developed by the CFIA for industry use. In addition, Health Canada has developed templates to assist the industry in designing new labels with the appropriate Nutrition Facts table that meet format and specification requirements

Nutrition Facts	Amount/serving	%DV*	Amount/serving	%DV*
Serv. Size 1 cup (249g)	Total Fat 12g	18%	Sodium 940mg	39%
Servings About 2	Sat. Fat 6g	30%	Total Carb. 24g	8%
Calories 250	Polyunsat. Fat 1.5g		Dietary Fiber 1g	4%
Fat Cal. 110	Monounsat. Fat 2.5g		Sugars 1g	
*Percent Daily Values (DV) are based on a 2,000 calorie diet.	Cholest. 60mg	20%	Protein 10g	20%
Vitamin A 0% • Vitamin C 0% • Calcium 6% • Iron 8%				

INGREDIENTS: WATER, CHICKEN STOCK, ENRICHED PASTA (SEMOLINA WHEAT FLOUR, EGG WHITE SOLIDS, NIACIN, IRON, THIAMINE MONONITRATE (VITAMIN B1), RIBOFLAVIN (VITAMIN B2) AND FOLIC ACID), CREAM (DERIVED FROM MILK), CHICKEN, CONTAINS LESS THAN 2% OF: CHEESES (GRANULAR, PARMESAN AND ROMANO PASTE (PASTEURIZED COW'S MILK, CULTURES, SALT, ENZYMES), WATER, SALT, LACTIC ACID, CITRIC ACID AND DISODIUM PHOSPHATE), BUTTER (PASTEURIZED SWEET CREAM (DERIVED FROM MILK) AND SALT), MODIFIED CORN STARCH, SALT, WHOLE EGG SOLIDS, SUGAR, DATEM, RICE STARCH, GARLIC, SPICE, XANTHAN GUM, CHEESE FLAVOR (PARTIALLY HYDROGENATED SOYBEAN OIL, FLAVORINGS AND SMOKE FLAVORING), MUSTARD FLOUR, ISOLATED SOY PROTEIN AND SODIUM PHOSPHATE.



The World's Longest Sea Bridge

The 36 km (22 miles) long Hangzhou Bay Bridge, which is the world's longest sea bridge, starts at Jiaxing, near **Shanghai**, and ends at Cixi, about 70 km (43 miles) from **Ningbo** city in east China's Zhejiang Province. The \$1.5 billion, S-shaped bridge shows that China is investing in infrastructure to keep raising the potential of the world's fourth-largest economy.

The world's longest sea bridge will cut the distance from Shanghai to Ningbo by more than 80km, two and a bit hours from four. It will give a further boost to one of the most prosperous corners of China when it opens next June. Construction of the bridge will accelerate the flow of goods and talent and give a push to the integration of economic development in the Yangtze River Delta.

KWE-MOL Logistics Commence a Joint Freight Forwarding Service for North America



After agreeing to commence a joint freight forwarding service on July 23, Kintetsu World Express, Inc. and MOL Logistics (Japan Co., Ltd.) have notified the Ministry of Land, Infrastructure and Transport that they have commenced the service as a category 2 freight forwarder.

While initially this joint freight forwarding service will be provided only from Narita (Tokyo) International Airport to North America (2 destinations), the future expansion of the service from additional ports in Japan to other destinations within North America is being considered.

Australia hosts APEC



APEC Summit meetings will start in Sydney on Sunday, September 2 and finish on Sunday, September 9, 2007. World Leaders including President Bush and Japan's Prime Minister Abe are coming to participate.

Significant traffic and transport changes will be in place throughout this period. Roads up to 11 kilometers away from Sydney are expected to be turned into clearways. The most impact will be felt on Friday September 7, through to September 9, 2007.

In order to relieve traffic congestion, the public holiday has been declared on September 7, 2007 for the Sydney metropolitan area only, including Penrith, Camden and Campbell town.

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 **Sep 01 – Sep 30, 2007**.

EBAF:

	Eastbound (to USA)	Westbound (from USA)
20' container	USD545.00	USD508.00
40' container	USD680.00	USD635.00
40' HQ container	USD765.00	USD635.00
45' container	USD860.00	USD635.00

IFC:

Inland transported by truck: \$64.00 per container

Inland transported by truck and rail combination: \$222 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 – September 2007

3	Sep	Labor Day -Canada	All offices closed
3	Sep	Labor Day – USA	All offices closed
7	Sep	Special Holiday for Sydney, Australia	
24	Sep – 26 Sep	Harvest Festival – Korea	
24	Sep	Heritage Day – South Africa	Skeleton Staff
26	Sep	Autumn Festival – Hong Kong	

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