

Industry Update

April 2008



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KWE Announces Phase III Medium Term Management Plan

Kintetsu World Express, Inc. (KWE) announced its Phase III Medium Term Management Plan for a 4-year period from Fiscal Year(FY)2008 (ending March 2008) until FY2011(ending March 2012).

In November 2002, KWE established “**The KWE Grand Design for the 21st Century**” to ensure its superior position among industry competitors for global markets. In FY2008, the Third Stage Medium Term Management Plan was launched with the ultimate aim of achieving business revenues of 500,000 million yen.

Third Stage Medium Term Management Plan includes:

- 1 . Expansion of Freight Volume Within Asia and the Pacific Rim
- 2 · Strengthen functions as a Comprehensive Freight Forwarder
- 3 · Expand into Emerging Markets
- 4 · Business Alliance and M&A Implementation to Support Growth Strategies
- 5 · Transformation into a Truly Global Company

For further information, please visit <http://www.kwe.co.jp/en/news/2008/pdf/English%203mid%20%20plan%20press%20final.pdf>

Unit: Million Yen	FY2008	FY2009	FY2010	FY2011	Growth average over 4 years
Net Sales	320,000	360,000	400,000	450,000	11.60%
Operating Income	16,000	18,000	49,000	20,000	8.70%
Ordinary Income	18,000	18,000	19,000	20,000	7.60%
Net Profits	9,300	10,500	11,000	11,600	7.50%

KWE's forecast figures for 4 year period



Philippines – Cargo Handling Rate Increase 5%

The Philippine Ports Authority (PPA) has approved a 12% increase in container handling rates at the South Harbor and Manila International Container Port (MICP) as a result of the rising costs of fuel and labor, among others.

According to the PPA order release, a 5% increase in tariff on foreign container handling services will take effect on April 2, 2008 and an additional 7% will be implemented at the start of next year.

The PPA has decided to use the fixed foreign exchange rate of 43PHP per US dollar when computing the vessel tariff to minimize the adverse impact on vessel revenue of operators due to the rapid appreciation of Philippines pesos.

Canada – GRI Increase

Transpacific Westbound GRI for ocean carriers will be applicable to all Transpacific (Canada –Asia) dry cargo.

This General Rate Increase (GRI) will be effective April 1, 2008 and apply as follows :

- USD 160.00 - 20 STD Container
- USD 200.00 - 40 STD and 40 HQ Container

KWE France Opens a New Department

Effective March 3, 2008 KWE France is pleased to announce the creation of a new '**CUSTOMER SERVICE**' department.

The main functions of the department will be the handling of:

- ✓ Quotations on Air, Ocean, Warehousing
- ✓ RFQ
- ✓ Triangular shipments
- ✓ Misc. questions and inquires

The Customer Service Department will be the window party between the KWE network and customers, providing personal attention and upholding KWE's reputation for excellent customer service.

KWE France deeply trusts this new department will prove to be an invaluable asset benefiting both customers and the KWE group.

For further information, please contact ,

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Slow Air Traffic Growth in 2008



International Air Transport Association (IATA) announced that the growth rate of air freight in several sectors will slow during the first half of 2008.

IATA's reports have shown a growth of 4.3% for international air freight traffic in 2007, down slightly from the 4.6% growth seen in 2006. This figure is notably lower than the 7% and 8% growth trend of recent years. Holiday-related air freight demand grew 4.7% in December, up from 3.5% in November.

Downward trends in many leading indicators and faltering manufacturing business confidence levels combined with credit crunch, high oil prices, and financial market uncertainty were considered the greatest attributes to the slowdown.

IATA stated that the growth is expected to slow in the first half of the year, before picking up with overall growth of between 4% and 4.5%.

While there has been a sharp decrease from 16.1% in 2006, the Middle East carriers again led all regions in 2007 with a 10.1% increase in freight demand. Airlines in Asia-Pacific, which account for nearly half of the international traffic, saw freight demand rise 6.5%, driven by the continued growth in China and other economies in the region.

On the other hand, the traffic for Latin American airlines and African airlines fell 5.4% and 6% respectively in 2007.

A breakdown of international freight traffic market shares by region in terms of freight kilometers, which measures actual traffic, showed:

- Asia Pacific - 46.1 %
- Europe - 25.9 %
- North America - 17.2 %
- Middle East - 7.4 %
- Latin America - 2.2 %
- Africa - 1.1 %.

Meanwhile, the Air Transport Association of America noted that the traffic of last year's U.S. air carriers showed the weakest increase since 2003. It only grew 1.1% and the domestic business for the U.S. carriers fell 0.1% in 2007 - below the level the airlines reported in 1999.



Slowdown at West Coast Ports in the US

In the past two months, the West Coast ports in the US and intermodal operators have greatly suffered due to a slump in transpacific shipping. This trend appears to be worsening with a sharp decline in Asia-US imports.

San Pedro Port complex of Los Angeles- Long Beach reported that the import volume fell 8.8% in both January and February compared to last year as a result of a weakening economy and high fuel prices which have eroded US demand.

In hopes of saving transportation costs, three of the largest global carriers, Maersk Line, CMA, and Mediterranean Shipping Co, are sharing space on the same vessels instead of operating their own weekly transpacific shipping services – reducing their cost by as much as 30%.

The effect of the ocean-freight slowdown is also bad news for companies involved in inland distribution. Volumes of Asian-made goods crossing the Pacific Ocean usually peak in the summer and early Autumn for back-to-school and holiday shopping. The bulk of the items are railed from ports on the West Coast.

The import volume fell 8.8% in both January and February compared to last year as a result of weakening economy.

KWE(India) Establishes Office in Cochin

Kintetsu World Express (India) Pvt Ltd. has established its Cochin office which commenced full-scale operations on February 15.

Cochin is located in Kerala state in the south of India and has a population of 1.6 million. In recent years the city has recovered from its economic stagnation and has witnessed heavy investment which led to becoming one of the fastest-growing second-tier metro cities in India.

Since the establishment of its business site in Bangalore in 1997, KWE (India) has established an additional 9 business sites (Cochin, Delhi, Ahmadabad, Mumbai, Pune, Kolkata, Hyderabad, Chennai, Coimbatore) as part of the ongoing expansion of its network. In addition to the already existing air and ocean forwarding services, KWE (India) continues to strengthen its domestic 3PL operations.

The outline of the Cochin office is as follows:



KWE- India Office Location

Name	Kintetsu World Express (India) Pvt Ltd. Cochin Office
Address	1 st Floor, National Tower, Opp. International Air Cargo Complex, Nedmbassery, Cochin – 683572, Kerala, India
Tel #	+91-484-649-1755
Person-In-Charge	Mr. Venkateswaran Narayanan



KWE Italy Implements X-Ray Fee

KWE Italy has decided to apply a security tax called X-RAY FEE to all export air freight shipments starting from March 1, 2008 .

In order to comply with the new standardized safety air export international regulations, KWE will start to scan by RX- EDS (explosion detection system) each shipment departing from all Italian and European Airports.

The new fee will be structured as follows:

- €3 up to 10pcs
- Max €150

Canada –Upgrading Rail Infrastructure

Canadian National Railways (CN) announced plans to upgrade and improve rail infrastructure in Eastern and Western Canada this year, as well as in the United States.

In anticipation of maintaining safe railways and improving the productivity and fluidity of its network, CN plans to invest more than CAD\$1.1 billion on infrastructure projects. This project is designed to permit more efficient movement of traffic in the Western Region. CN's capital spending is targeted at replacement of rail, ties and other track materials, as well as bridge improvements.

The company is also investing in the continuing reconfiguration of MacMillan Yard, north of Toronto to permit more efficient terminal operations. An official from CN assures that the investments in rail infrastructure will ensure plant quality and safety, build capacity and speed, and improve the productivity of their operations.

The company further invests in extended sidings and terminal improvements to grow its business and allow more efficient movement of traffic in Western Canada, including CN's line to the new Port of Prince Rupert container terminal, as well as upgrading of its recently acquired Athabasca Northern Railway (ANY). Additionally, CN will continue upgrading other former Northern Alberta short lines purchased in 2006.

Of the CAD\$1.5 billion company-wide 2008 budget, CAD\$1.1 billion will be focused on track infrastructure. Equipment spending, targeted to reach approximately CAD\$140 million in 2008, will include the acquisition of new fuel-efficient locomotives, as well as improvements to the existing fleet.

CN also aims to spend approximately CAD \$250 million on facilities to grow the business, including transloads and distribution centers, information technology to improve service and operating efficiency, and other projects to increase productivity.



Canadian National system map

Hong Kong- Removal of Taxes on Alcoholic Drinks

Effective immediately, the Hong Kong Government has recently announced the removal of the 40% tax on wine and alcohol (except spirits).

This brings Hong Kong one step closer to becoming a fine wine hub. Hong Kong is poised to develop its wine trading business after the abolishment of duties on wine, beer and all alcoholic beverages. It is also expected to promote the restaurant, hotel and hospitality industries. For instance, a bottle of Chateau Lafite 82' selling for HK\$20,000, which previously had the duty of HK\$8,000, can now be imported for free.

To further encourage Hong Kong as Asia's wine trading, distribution, and investment centre, the Hong Kong Trade Development Council (TDC) is organizing the first Hong Kong International Wine Expo in August, which is one of a series of events under the Food and Health framework.

It is also a great benefit for wine traders, importers & exporters in Hong Kong as it yields an easier customs clearance process.

Yangtze River Port of Cuntan – Inland Bonded Warehouse

Chongqing City of China has officially submitted for approval plans to establish the Chongqing Bonded Port. Once approved, Yangtze River Port of Cuntan will be turned into a bonded port area, the first of its kind in central and western China, and the fourth mainland bonded port following Shanghai Yangshan port, Tianjin Dongjiang port and Dalian Dayaowan port.

Historically, Chongqing has been a major trading inland port, transporting goods from the southwestern provinces to eastern China. Also, Chongqing is the biggest inland river port in western China. Today, Chongqing is one of the most significant economic powerhouses of China.

The planned Chongqing Bonded Port Area, with a total area of 10.73 km², will consist of two parts, one in the Yangtze River port Cuntan and another in Jiangbei Airport. The proposed bonded area covers Cuntan and its neighboring areas, encompassing 6 km², while the airport bonded area covers a 1.68 km² piece of land and part of the Airport Industrial Park with an area of 3.05 km². Chongqing has started work on the second phase of Cuntan port, which covers three 3,000-tonne container berths.

The top 20 worldwide container liners, including Maersk, MSC and CMA, have all launched their branches in Chongqing in order to grasp the better position. Also the China Merchants Group from Hong Kong, which accounts for 40% of China's container terminals, is also interested in the investment of Chongqing Bonded Port.

Upon approval, the construction of Chongqing Bonded Port is scheduled to be initiated within this year.



Carrier News



- **Great Wall Airlines** added Tianjin to its freighter network route from March. The new cargo flights will be operated by its B747-400 freighter fleet with a frequency of five flights a week flying the Pudong-Tianjin-Amsterdam route and two routes through Pudong-Tianjin-Amsterdam and Manchester.

- Lufthansa Cargo / DHL Express has formed a new Joint Venture Airline '**AeroLogic**'. AeroLogic has purchased eight Boeing 777 Freighters to commence their operation. The first four aircrafts will take off and land at the Halle/Leipzig Airport beginning in April 2009. By 2012, the company plans to operate their cargo routes with eleven Boeing aircrafts.

- **Lufthansa Cargo** and **Jade Cargo International** are extending their cooperation from March 30, when the summer timetable goes into effect. They will be supplying attractive direct flights from European centres of commerce. LH Cargo offers their customers a new and comprehensive network, beyond Frankfurt Gateway, for non-stop service ex Europe (from Amsterdam, Barcelona, Brescia, Luxembourg and Stockholm to Shenzhen and Shanghai Pudong Airport). From Shenzhen, Jade Cargo International offers connecting flights into the Asian centres of commerce Osaka and Seoul.



Beginning this summer, LH- Cargo will begin two direct freighter services per week to Beijing and non-stop flights from Frankfurt to Shanghai and Seoul with MD-11F-aircrafts. New destinations for cargo customers will also be Nanjing (NKG) starting from March and Shenyang (SHE) starting from June 2008. This service will be operated five and three times per week from Frankfurt or Munich, respectively. The average cargo capacity will be approximately 17 tons.

- **Finnair** announced that the number of Moscow flights will double from April.

- **Air China** has a newly launched non-stop service from Pudong (PVG) to Milan (MIL) effective from March 30. It will be operating four times a week.

- **Philippines Airlines (PAL)** will increase services to major Asian destinations in time for the peak summer travel period. They also have three new destinations in China – Chongqing, Chengdu, and Macau.

PAL will also add a direct, thrice-weekly service to Jakarta starting on March 30 to complement the four-times-weekly service via Singapore. Taipei will also get two more frequencies, for a total of nine flights weekly to the Taiwanese capital starting on April 1.

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 **April 01 – April 30, 2008**.

	<u>EBAF:</u>	
	Eastbound (to USA)	Westbound (from USA)
20' container	USD688.00	USD688.00
40' container	USD860.00	USD860.00
40' HQ container	USD968.00	USD860.00
45' container	USD1089.00	USD860.00

IFC:

Inland transported by truck: \$84 per container

Inland transported by truck and rail combination: \$290 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 – April 2008

4	April	Ching Ming Festival - China, Hong Kong
5	April	Day of Trees - Korea
7	April	Araw ng Kagitingan - Philippines

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