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Industry Update

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TSA Certified Cargo Screening Program (CCSP)

The implementation deadline for TSA's 100% Certified Cargo Screening Program (CCSP) is quickly approaching !!

The Implementing Recommendations of the 9/11 Commission Act of 2007 mandates 100% screening of cargo at the piece level for all shipments originating in the U.S. and being transported on a passenger flight beginning in August 2010.

The mandate will eliminate current exemptions and alternate means of screening for shrink-wrapped, strapped, and banded shipper pallets, causing considerable changes in the way we currently ship cargo. Shippers may experience significant air cargo handling delays when Certified Cargo Screening Facilities (CCSFs) implement 100% screening.

To prepare for this change, KWE is now hard at work installing state of the art screening equipment at our key gateway locations throughout the United States. And to ensure minimal disruption, we are implementing an outreach program to assist our customers in reviewing and potentially changing current processes to keep your valued cargo moving smoothly.

There are actions that shippers can take to lower the risk of delay. As always, you can count on KWE to keep our customers informed with up-to-date status and information regarding new regulations. KWE Industry Update will soon begin publishing and distributing a series of TSA Outreach flyers to our customers with information and tips on how to make this transition smoother for you.

For further information, or to start the CCSF application process, please feel free to contact your local KWE representative, or email us at CCSP@am.kwe.com

2009 Cargo Volume Rankings by Airport

Airports Council International (ACI), a Switzerland-based non-profit organization has released 2009 preliminary information for the world's busiest airports by cargo traffic. (Please refer to page 2 for the Top 30 List) ACI's primary goal is to advance the interests of airports and to promote professional excellence in airport management and operations.

Prior to the establishment of ACI, the world's airports were represented on the international scene by the Airport Associations Coordinating Council (AACC), created in 1970 by three international airport associations: the Airport Operators Council International (AOCI); the International Civil Airports Association (ICAA); and the Western European Airports Association (WEAA). Up until then, the three associations had collaborated on an informal ad hoc basis and had presented the interests of their memberships to other international organizations separately.

World's Busiest Airports by Cargo Volume

Rank	Airport	IATA/ICAO	Total Metric Tons	Rank Change	% Change
1.	Memphis International Airport	MEM/KMEM	3,697,185	–	▲0.4%
2.	Hong Kong International Airport	HKG/VHHH	3,384,765	–	▼7.5%
3.	Shanghai Pudong International Airport	PVG/ZSPD	2,539,284	–	▼2.3%
4.	Incheon International Airport	ICN/RKSI	2,313,001	–	▼5.2%
5.	Ted Stevens Anchorage International Airport	ANC/PANC	1,990,061	–	▼14.9%
6.	Louisville International Airport	SDF/KSDF	1,949,130	▲3	▼1.3%
7.	Dubai International Airport	DXB/OMDB	1,927,510	▲4	▲5.6%
8.	Frankfurt Airport	FRA/EDDF	1,887,718	▼1	▼10.6%
9.	Narita International Airport	NRT/RJAA	1,851,972	▼1	▼11.8%
10.	Paris-Charles de Gaulle Airport	CDG/LFPG	1,818,503	▼4	▼10.8%
11.	Singapore Changi Airport	SIN/WSSS	1,660,851	▼1	▼11.8%
12.	Miami International Airport	MIA/KMIA	1,557,401	–	▼13.8%
13.	Los Angeles International Airport	LAX/KLAX	1,506,295	–	▼7.6%
14.	Beijing Capital International Airport	PEK/ZBAA	1,420,997	▲4	▲4.0%
15.	Taiwan Taoyuan International Airport	TPE/RCTP	1,358,304	–	▼9.0%
16.	London Heathrow Airport	LHR/EGLL	1,349,574	–	▼9.2%
17.	Amsterdam Airport Schiphol	AMS/EHAM	1,314,938	▼3	▼17.9%
18.	O'Hare International Airport	ORD/KORD	1,150,027	▲1	▼14.1%
19.	John F. Kennedy International Airport	JFK/KJFK	1,135,043	▼2	▼21.8%
20.	Suvarnabhumi Airport	BKK/VTBS	1,045,194	–	▼10.9%
21.	Guangzhou Baiyun International Airport	CAN/ZGGG	955,271	▲5	▲39.3%
22.	Indianapolis International Airport	IND/KIND	900,583	▼1	▼9.0%
23.	Tokyo International Airport	HND/RJTT	779,103	–	▼8.3%
24.	Newark Liberty International Airport	EWR/KEWR	767,668	▼2	▼13.5%
25.	Luxembourg-Findel Airport	LUX/ELLX	628,641	–	▼20.2%
26.	Kansai International Airport	KIX/RJBB	608,871	▼2	▼28.0%
27.	Shenzhen Bao'an International Airport	SZX/ZGSZ	606,013	▲?	▲1.3%
28.	Dallas-Fort Worth International Airport	DFW/KDFW	601,780	–	▼8.6%
29.	Kuala Lumpur International Airport	KUL/WMKK	601,409	▼2	▼9.7%
30.	Chhatrapati Shivaji International Airport	BOM/VABB	568,007	▲?	▲1.6%

JAL Freighter Service Coming to an End

Troubled airline will rely on passenger flights after it sells 747-400 freighters

Japan Airlines, the sixth-largest air freight carrier in Asia, will cease operations on its all-cargo freighters this October, succumbing to a steep decline in cargo demand. JAL currently operates (10) 747-400 freighters; it will sell the five it owns and drop the leases on its five leased freighters.

JAL had sought to rescue its troubled freight operations through a merger with Nippon Yusen and its freight carrier, Nippon Cargo Airlines, but decided to discontinue merger talks in March. "We were losing money and it wasn't clear when the cargo business would turn around," JAL Vice President Toshiro Tada told reporters in Tokyo.

The airline, which lost $109 million in the nine months ending Dec. 31, has seen its freight traffic fall for five straight years and had dropped seven freighters from its fleet in the last two years. JAL's international freight tonnage fell 9.9 percent in the first 10 months of its current 2009 fiscal year. The tonnage was down 17.8 percent in the carrier's last full year and declined 25 percent between 2004 and 2008.

Japan Airlines Adopts New Cargo Business Model

Japan Airlines (JAL) announced plans to adopt a new cargo business model utilizing solely the cargo belly space of the airline's passenger flights. These flights provide cargo capacity (measured in available ton kilometers) approximately three times the volume* available on its current scheduled freighter flights, which will be suspended at the end of October 2010.

JAL operated its first freighter flight on May 2, 1959, hauling cargo from Tokyo Haneda to San Francisco in a Douglas DC-4 charter aircraft.   On November 25 of that year, the airline introduced a remodeled DC-6B semi-cargo aircraft to its fleet. For the next 50 years, JAL steadily expanded its international network, using both passenger and freighter flights to meet the needs of countless satisfied customers.

But with market conditions for international cargo expected to remain severe, JALCARGO will now shift from using a combination of freighter and passenger flights to exclusively utilizing the belly space of passenger flights - a new cargo business structure that aims to secure a stable profit and boost the recovery of JAL's financial standing.

Maintaining access to almost all destinations** currently served by its freighter flights with passenger flights, Japan's largest international network carrier will continue to meet the needs of its valued customers for cargo that can fit in the bellies of its 508 weekly passenger flights plying 56 international routes, and on 134 domestic routes with 904 daily one-way flights.*

**Cargo capacity and the number of routes and flights are based on the airline's 2010 summer schedule.*

*** JAL operates passenger flights to all destinations currently served by JAL freighter flights, with the exception of Anchorage.*

Optimistic WTO Recovery Forecast

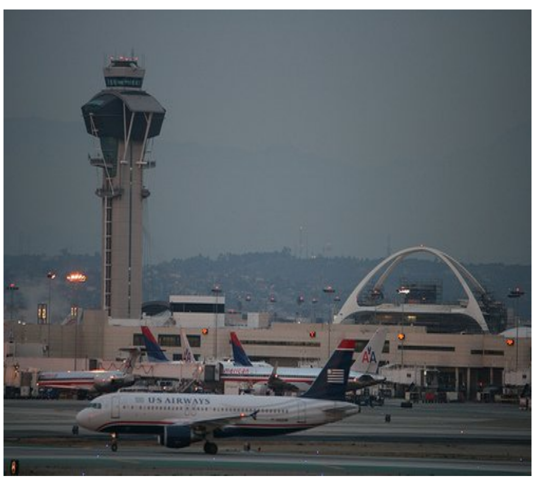
Although the possibility of a "double-dip" recession in the Western economies and speculation on a downturn for China are still global concerns, the World Trade Organization (WTO) has produced a startlingly optimistic portrait of the prospects for world trade. The WTO has predicted a rapid return to growth in the world trading system which will drive levels of economic activity to levels approaching that of 2008. It sees trade in 2010 growing by 9.5% overall, with exports from the developed economies growing by 7.5% whilst the rest of the world will grow by 11%.

Patrick Low, the WTO's chief economist, has pointed out, the collapse in world trade last year was unprecedented in the past half-century, with trade falling by 12%. The main cause of the collapse was the sharp fall in consumer demand in the western economies, although it was heightened by the role of global supply chains and their concentration in sectors that were hit badly by the downturn. Items such as chemicals, telecommunications products and textiles saw double-digit falls in trade volumes and it is products such as these that are disproportionately represented in global trade.

A rebound of that order would also be good news for the global logistics industry. It suggests that sectors with structural over-capacity problems, such as container shipping, will see the opportunity to recover. However even the WTO sees a complete return to 2008 levels of demand as some way off for many economies. "Two years of growth at this pace would result in trade levels surpassing the peaks of 2008. Developed economies, on the other hand, would require three years of growth to accomplish this".

The WTO does, however, place a number of caveats around its forecasts. For example it states that there are "significant risks that the forecast could be over-optimistic, including the possibility of further increases in oil prices, appreciation or depreciation of major currencies, and additional adverse developments in financial markets". These are substantial reasons for caution.

LAX Air Freight Market Shows Growth



Volume recovers to 2008 levels as Asia tonnage improves

Air freight traffic at Los Angeles International Airport grew 26.6 percent in February over the same month a year ago as business at the United States' main gateway for trans-Pacific air cargo returned to more normal shipping volume.

The year-over-year expansion at LAX was the strongest in recent history, exceeding even the airport's recovery in 2002, but the February gain also came in comparison to the worst month during the downturn for expedited cargo. Freight tonnage also was up only slightly over January and almost equal to the freight levels Los Angeles saw in 2008.

The report from Los Angeles comes as Asia-Pacific airlines, which provide much of the airport's international freight, show the cargo recovery they began seeing in late 2009 starting to level off to more normal volumes in the first quarter.

Cargo Recovery Slowest in Europe

IATA said international cargo traffic grew 26.5 percent in February compared to the same month a year ago, although the market has to grow a further three percent to return to pre-crisis levels.

Giovanni Bisignani, IATA's director general and CEO, noted, "We are moving in the right direction. In two to three months the industry should be back to pre-recession traffic levels. This is still not a full recovery. The task ahead is to adjust to two years of lost growth."

Despite the strong rebound overall, IATA said European airlines are making the slowest recovery with a year-on-year growth of just 7.2 percent in February. Europe is anticipated to post $2.2 billion in losses this year—the highest among the regions due to forecasted weak freight demand.

North American airlines' freight traffic rose 34.1 percent compared to Asia-Pacific (34.5 percent) and Latin American airlines (41.9 percent) during the month. The current US expansion is attributed to inventory restocking and is expected to decline later this year.

Carriers Continue to Fall Behind Schedule

Slow steaming provides no help in meeting schedules

More ships are arriving at their destination ports behind schedule in the fourth quarter, according to the latest Container Shipper Insight report from Drewry Shipping Consultants.

Of nearly 1,600 ships tracked in the three months ending Dec. 31, only 53 percent arrived either on the scheduled day of arrival or a day prior. This percentage, down 7 percentage points from the reliability rate in the first three quarters of 2009 also fell below the historic average, which now stands at 55 percent.

The increase in unreliability coincides with an increase in the practice of slow steaming. While ships might have been expected to arrive a bit later because they are moving slower, their scheduling should not be more difficult.

"These results are especially disappointing as we had expected reliability to improve as a consequence of more slow-steaming, which should in theory help matters by creating a buffer in the schedule," said Simon Heaney, editor of Freight Shipper Insight and Schedule Reliability Insight.

Each of the major east-west trade-lanes suffered a drop in on-time performance in the fourth quarter. Trans-Atlantic services deteriorated most, slipping from an average on-time performance of 70 percent in the third quarter to 55 percent in the final three months of the year. Over the same period, trans-Pacific services slipped from 64 percent to 54 percent, while services in the Asia/Europe/Med trade dropped from 52 percent to 50 percent. The average deviation from the scheduled port arrival for all three trades was one full day.

While slow steaming is touted as a way to increase fuel efficiency and lower emissions, these results make it more difficult for shippers to accept. "The benefits of slow steaming seem to be entirely slanted towards the carrier in terms of fuel cost savings and capacity restriction, while shippers are hit with the double-whammy of having to pay more through higher rates while getting a worse standard of service," Heaney said.

Asian Ocean Lines Significantly Reducing Their Fleet

Seven major Asian ocean carriers significantly trimmed the number of containerships they own over the last 15 months as they raced to reduce exposure to the fragile liner shipping markets. The seven major Asian operators surveyed by Alphaliner disposed of ships with capacity of 282,000 20-foot equivalent units during the period, representing 16 percent of their combined fleet. This includes 155,000 TEUs capacity that these carriers sold for scrap and another 127,000 TEUs capacity that was sold in the second-hand market and in financial engineering deals.

The Asian carriers were not the only carriers that trimmed their fleets. Among other major lines, CMA CGM, Mediterranean Shipping Company and Maersk Line have also taken steps to dispose of parts of their fleets. However, the disposal of ships by CMA CGM and MSC were offset by the delivery of new ships and new charter hires.

For most of the Asian carriers, the disposals were not offset by the delivery of new ships or through charters, which resulted in a direct loss of market share. Additionally, as a percentage of the total owned fleet, the Asian carriers' disposals are significantly higher. In particular, the moves by the three Japanese carriers, NYK Line, MOL and "K" Line, mark a longer-term shift in these carriers' corporate strategies to downgrade the container shipping business segments. Within the last few months, NYK and "K" Line (as well as Japanese owners related to "K" Line) sold nine over-Panamax containerships built between 1997 and 2002 of between 5,500 and 6,150 TEUs. The sales were conducted privately, at prices that were largely regarded as very attractive to the buyers and the ships obtained strong charter backing immediately upon their sale.

MOL has been actively disposing a large part of its fleet including sending a quarter of its owned vessels for scrap over the last 15 months. The 15 MOL ships demolished, a total of 44,500 TEUs removed, were among some of the youngest ships sent for scrap at an average age of 21 years. These moves have seen all three of the Japanese carriers drop in the carrier rankings, with no Japanese carrier currently represented in the top 10, a situation that is unprecedented since the Japanese carriers entered the container shipping markets in the '70s.

Another Asian carrier that has seen a drop in market share is Evergreen, which fell out of the top 4 rankings this month, the first time since the 1980's that it is not in the top 4 carrier rank. Evergreen has shed 34,000 TEUs of its owned capacity during the last year, including nine of its G/GX class ships (excluding seven more that were sold on leaseback deals earlier) built between 1983 and 1988. Evergreen remains the sole major carrier with no new ships on order on its books and has so far refrained from making moves to rebuild its fleet.

Hanjin Shipping was the carrier that had the largest shift in its owned fleet. It sold 13 container ships of between 4,000 and 5,300 TEUs in June of last year. This was part of a 16-vessel deal (including 3 bulk carriers) concluded with Korea Asset Management Corp., which paid around $383 million for 17 vessels, including one bulk carrier from Hyundai Merchant Marine, which were chartered back to the sellers for five to 10 years. Hanjin's sale represented 39 percent of its owned containerships as the company struggles with a strained balance sheet with a debt-to-equity ratio of over 220 percent at the end of 2009

Additional Note:
Alphaliner has also surveyed a number of the smaller steamship companies, some of whom are now reporting a trend toward increased capacity and service, contrary to the actions of the seven major steamship companies surveyed above. It is important to note, however, that a significant overall change in ocean market capacity will require that the major steamship companies also reverse the current trend of fleet-size reductions and return idle vessels to scheduled service and increase overall market capacity. The following information reflects Alphliner's survey of carriers other than the major seven profiled above.

Ocean carriers are returning laid-up container ships to service at a faster pace to keep up with growing cargo volume, according to a new report by the Alphaliner consultancy. Carriers will have 40 additional vessels of over 3,500 20-foot equivalent units capacity by the end of April, including 15 drawn from the pool of ships that have been idled since the beginning of the global downturn. The remainder will consist of shipyard deliveries and vessels being freed up by their current charterers.
Demand is increasing with the introduction of new services, capacity upgrades on a few "loops" and additional extra slow steaming. Carriers are gearing up for the summer shipping season with optimism nurtured by a revived demand in most main trade lanes. Several carrier-controlled vessels of 4,000-7,000 TEUs are laid up but some could be re-activated at short notice if cargo demand warrants their return to service.

Carrier News

• ***Air China Ltd***, the nation's flagship carrier has launched its first non-stop flight linking Beijing and Manila on Mar.29, to meet increased transport demand. Flights to Manila will depart from the Beijing Capital Airport at 8:00 pm on Monday, Wednesday and Saturday and arrive at 00:55am the next day. Flights to Beijing from Manila will depart at 06:30 am local time on Tuesday, Thursday and Sunday and arrive at Beijing at 11:10 am. Air China will use Boeing 738 for all flights on the Beijing-Manila route.

• ***Singapore Airlines*** has begun daily A380 services to Zurich. The new service is the carrier's third A380 destination in Europe, joining London Heathrow and Paris Charles de Gaulle. Zurich is one of only three airports in Europe that can currently handle the A380 and there was an exceptionally high level of anticipation during the preparations for the new service.

The airline also has increased its Munich/Manchester service to five times a week with a B777-300ER aircraft. Munich is SIA's second destination in Germany. Frankfurt is linked with with two daily flights from Singapore, one of which continues to New York.

In a related move, Singapore investment firm Temasek Holdings, which owns 55 percent of SIA, has acquired a 1.18 per cent stake in Chilean carrier LAN Airlines. In 2011, the Santiago-based company will become the first airline in the Western Hemisphere to get the B787. SIA is also scheduled to receive its first B787s next year.

• ***Shenzhen Airlines*** is planning to launch a new roundtrip international route from Fuzhou to Tokyo. Beginning April 6, 2010, there will be three flights each week between Fuzhou and Tokyo: departing on Tuesdays, Thursdays, and Saturdays at 08:20 Beijing time and 14:00 Tokyo time. This is the second air route from Fuzhou to Japan. The first is the Fuzhou to Osaka route which is scheduled to fly four times a week: on Mondays, Wednesdays, Fridays and Sundays.

• ***Malaysia Airlines*** placed an order for two A330-200 freighters in addition to a previously announced contract for (15) A330-300 passenger aircraft.
The airline also signed an option for two more Airbus freighters and 10 additional passenger jets.

The first freighter will join the fleet of MASkargo in September 2011, Airbus said.
Malaysia Airlines said the new freighters would be deployed on its intra-Asian routes and on direct services to Europe from India and Bangladesh.
Airbus did not give financial details of the contract for the 17 planes which have a combined list price of around $3.6 billion.

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

WESTBOUND (from USA to Asian destinations)				
	April 01 through June 30, 2010			
	20' dry	other dry	20' reefer	other reefer
BAF – West Coast	420	525	591	739
BAF – East Coast	834	1042	1110	1387
IFC – Pure truck	61	61	61	61
IFC – Truck/Rail	211	211	211	211
EASTBOUND (from Asian origins to USA)				
	April 01 through June 30, 2010			
	per 20'	per 40'	per 40HQ	per 45'
BAF – West Coast	294	368	414	466
BAF – East Coast	582	727	818	920
IFC-Truck	61	61	61	61
IFC-RIPI	106	106	106	106
IFC-IPI	211	211	211	211

Holiday Schedule – April 2010

4	April	Easter	
9	April	Araw Ng Kagitingan - Philippines	
27	April	Freedom Day – South Africa	KWE Skeleton Staff