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Ocean Carriers Improve Schedule Reliability



Maersk Line regains customary position as most reliable carrier in Drewry report

According to the latest measure of container service reliability by Drewry's Schedule Reliability Insight, container lines are improving their vessels on-time arrival rates at ports.

The Drewry report showed a steady improvement amongst the carriers, with the percentage of ships arriving on schedule at selected ports rising to 56 percent in the second quarter of 2011, up from 51 percent in the first quarter. The overall figure for second quarter 2011 also compares well with the on-time reliability score of 52 percent in the same period of 2010.

Despite the continued drop in freight rates, Drewry said shippers are getting better service in East-West trade lanes with reliability rising most in lanes between Asia, Europe and the Mediterranean. In those lanes, the percentage of on-time arrivals increased by 13 percentage points against the previous period to 62 percent in second quarter 2011.

Maersk Line regained its position as the most reliable of the top 20 carriers across all the trades covered by Drewry. The Danish line was closely followed by APL and CSAV.

For the first time, Schedule Reliability Insight contains rankings of carriers within the three major East-West trades. Maersk Line took the top spot on the Asia-Europe-Mediterranean trade, while APL and Hamburg Sud came out on top in the Trans-Pacific and Trans-Atlantic lanes, respectively.

Analysts and Forwarders Doubt Peak Surcharge Enforcement

Asia based analysts and forwarders believe that ocean lines will be hard-pressed to enforce peak season surcharges from Aug. 15 on Asia-U.S. lanes.

"Business is very slow at the moment. I think the carriers will make the announcement but still hold off from enforcing the surcharges for at least two to three weeks, and wait to see how the market reacts and then decide what to do." said Paul Tsui, chairman of the Hong Kong Association of Freight Forwarding and Logistics.

Janet Lewis, regional head of industrials and shipping research in Asia at Macquarie Capital Securities, said she was "dubious" carriers would be able to enforce an increase amid overcapacity. "Volumes on both Asia-Europe and trans-Pacific are up year-on-year and are likely to remain well ahead of last year's levels, but vessel supply is up more."

However, she said the supply-demand balance could level out as the third quarter progressed. "Inventory levels in the U.S. are very low and there are indications that shipments will be strong in September/October," Lewis said. The Transpacific Stabilization Agreement earlier announced that the peak season surcharge would be introduced from August 15 after a two-month delay but analysts said that the load factors from Asia's main ports were still poor for carriers.

As reported by JOC, the average spot rate for shipping a container from China to the U.S. West Coast is now at its lowest point in 20 months as the impact of excess vessel capacity continues to be felt even as the traditional peak season eastbound peak season looms.

Tsui admitted carriers could see more success with PSS in September but added that "lots of direct customers such as the big multi-nationals have already contracted to avoid PSS, so lines are most likely to target smaller shippers. We will have to wait to see if they'll even manage to implement a PSS this year at all, they have already reduced sailings and slowed ships, but the market has still not picked up even though volumes higher this year. There is just too much new capacity."

In announcing the PSS, TSA claimed U.S. retailers were restocking and demand was now increasing. "Carriers have recently experienced a steady increase in traffic that suggests steady, stronger demand in the three months to come," said TSA executive administrator Brian M. Conrad.



Carriers expected to hold off for several weeks while they gauge the market

Global Air Freight Falls 3 Percent

Global air traffic declined 3 percent in June from a year ago, reflecting the air freight industry's loss of market share to other transport modes. According to IATA's monthly traffic report, air cargo volumes haven't grown since July-August 2010, which followed a post-recession re-stocking peak in May. While world trade is expanding at 7 percent annually, the benefit is being realized by other modes of transport than air.

Asia-Pacific carriers, which have a leading 40.5 percent of the global cargo market, also recorded the largest year-on-year decline of 5.8 percent, mainly due to the disruption of auto and electronics supply chains caused by Japanese disasters and slower economic growth in China. The strength of the region, however, is reflected in its highest load factor of 58.6 percent against an industry average of 45.7 percent in June.

European carriers' cargo traffic was down 1.3 percent within the same period, and North American airlines carried 3 percent less freight than in June 2010. Carriers in the Middle East, Latin America and Africa recorded increases of 3.7 percent, 2.8 percent and 0.3 percent, respectively.

Official Opening of KWE Penang Logistics Warehouse

On June 28, **KINTETSU WORLD EXPRESS (MALAYSIA) SDN. BHD.** held the official grand opening ceremony for its Logistics Warehouse inside the Penang International Airport Free Commercial Zone (FCZ).

This warehouse, set up in collaboration with KWE's customer Agilent Technologies, will serve as Agilent's EMG group finished products hub. Products shipped out of this hub will represent a major contribution to Agilent EMG group's global business revenue.



The ceremony was officiated by the Penang Chief Minister, Y.A.B. Mr. Lim Guan Eng, who was given a site facility tour by Mr. Tick Twan Lye, KWEMY General Manager of Logistics / GSC Division. Senior Management of Kintetsu World Express, Inc. (Japan) and Agilent Technologies (USA) were also among the VIP's invited to celebrate the opening of this facility.

The KWE Penang Logistics Warehouse is a customized logistics solution, initially proposed to Agilent in 2006 to offer a more simplified, cost effective and secure process model to fulfill requirements of Agilent's global supply chain optimization. The warehouse became a reality in April 2007, creating history in the process, for being the first operating facility licensed by the Ministry of Finance (MOF) to operate a Vendor Managed Inventory (VMI) process in a Free Zone. Previously, regulations allowed no provision to authorize such activities in a Free Zone. KWE with support from MOF, Customs and industry associations was successfully able to convince the Authority of the value of such business activities as well as the sophistication of KWE's process controls.

Being located in an airport FCZ enables the KWE Logistics Warehouse to offer superior advantages of expedited customs clearance and transportation processes. The facility also offers enhanced security protection when compared to a normal bonded warehouse. Less handling and shorter lead times mean better quality and faster turnaround times. This is a significant benefit for customers for whom shipment timeliness is critical for their high value products.



From left : Lye Tick Twan (KWEMY Logistics GM), Nobunari Takagi (KWEMY Airfreight GM), Ng Beng Huat (KWEMY Admin Director), Austyn Lee (KWEMY Operation Director), Ryan Chan (GM, Agilent Tech Global Supply Chain and Logistics), Norshidah Ahmad (VP, Agilent Malaysia and Global Supply Chain), Lim Guan Eng (Penang State Chief Minister), Hitoshi Mukoyama (KWEMY Managing Director), Masakazu Hattori (KWE-J Special Advisor), Hiroyuki Hoshiai (KWE-J S&M Senior Managing Director), Cheah Hup Lim (Regional Manager, Agilent Asia Logistics), YB. Dato' Hj. Md. Salleh Bin Said (Malaysia Customs Chief Director), Yoshinobu Mitsuhashi (KWE SE Regional Director)

From the initial 30,000ft² of space, the warehouse has now doubled its capacity to fulfill Agilent's growing logistics needs, and employs over 100 personnel, both directly or indirectly. Both normal and air-conditioned storage areas cater to specific requirements for different products' and cost-models. Value added, end-to-end services, such as pick-pack-inspection-ship (PPIS) are among best of kind services offered to our customers.

KWE also provides 'virtual logistics control' for some of Agilent's product lines where the business unit's personnel are overseas. Cargoes from origin countries are flown in to this facility, which functions as a Regional Distribution Center for order consolidation before export to the final destination. This sophisticated service capability is among the innovative logistics solutions that KWE provides to its customers.

The growth of KWE Penang Logistics Warehouse is also in line with the federal and state government's aim in developing Penang airport to become an international and Asia region transportation hub. Already known for its manufacturing excellence for the internal market, Penang, as part of the Northern Corridor Economic Region (NCER) program, is looking to achieve excellence in logistics services as well. KWE is proud support this drive towards excellence in logistics services, as represented by the Penang Logistics Warehouse.

Carrier News

Delta and Aeromexico Create Enhanced Commercial Alliance

Delta Airlines and Aeromexico announced plans for a long-term, exclusive commercial alliance. Under the agreement, Delta and Aeromexico will expand cooperation to leverage each other's strengths and link Delta's expansive network with Mexico's largest passenger network. As part of the agreement, Delta also will invest \$65 million in Aeromexico.

"Aeromexico has been a strong partner for Delta in Mexico and Latin America, and this reinforces our relationship," said Delta Chief Executive Officer Richard Anderson. "By forming an exclusive long-term commercial partnership, we will leverage the strengths of our two networks to provide expanded customer benefits and build the foundation for a joint venture to better serve the U.S. and Mexico marketplace."

Following a successful restructuring in 2009 and subsequent public stock offering, Aeromexico has reported strong financial results, including its highest operating margin in 15 years at 10.4 percent for the June quarter 2011.

According to the US Department of Commerce, goods traded between the U.S. and Mexico in 2010 totaled nearly \$400 billion, making Mexico the third largest trading partner for the U.S.

"The expanded agreement with Delta will undoubtedly allow us to solidify the commercial alliance we have been building together for several years now," said Aeromexico Chief Executive Officer Andres Conesa. "We will work with Delta to offer more options for our customers, including greater access to Delta's global network."

The new agreement between two of its founding members strengthens SkyTeam's position as the only global alliance with a full-service, Mexico-based international carrier and expands SkyTeam's presence in fast-growing Mexican and Latin American markets.

The carriers will leverage the extended, long-term commercial agreement to exchange, within legal limits, best practices across operations, marketing and sales.

"The expanded relationship between Delta and Aeromexico comes at a key time in the history of Mexico's domestic aviation. Our company now boasts the most modern fleet and the largest network in the country, serving over 60 destinations," said Jose Luis Barraza, chairman of Aeromexico's board of directors. "The alliance with Delta that we've announced today will make history, and Grupo Aeromexico is proud to be a part of it."

Under terms of the Memorandum of Understanding (MOU), Delta will invest \$65 million in exchange for ordinary shares in Grupo Aeromexico, made up of treasury stock set aside as part of Aeromexico's primary public offering April, 14, 2011. Delta also will gain a seat on the Aeromexico board of directors. The transaction is subject to approval from certain Mexican regulators.

As part of a separate agreement, Delta and Aeromexico will expand their Maintenance, Repair and Overhaul (MRO) agreement with a new facility scheduled to open in the third quarter of 2013. The airlines will invest equal shares to establish a facility in Mexico that builds on existing repair work between the carriers, as well as third party airlines.

"The MRO agreement will represent significant savings for our maintenance group while continuing the extremely high quality work we receive from Aeromexico," said Delta President Ed Bastian. "The facility is a natural next step for the two airlines as we leverage the full benefits of our alliance."



Update: Bunker Adjustment Factor (BAF) and Inland Fuel Charge (IFC)

WESTBOUND (from USA to Asian destinations)				
	July 01 through Sept 30, 2011			
	20' dry	40'-45' dry	20' reefer	other reefer
BAF – West Coast	596	745	839	1049
BAF – East Coast	1178	1472	1566	1957
IFC – Pure truck	108	108	108	108
IFC – Truck/Rail	375	375	375	375
EASTBOUND (from Asian origins to USA)				
	July 01 through Sept 30, 2011			
	per 20'	per 40'	per 40HQ	per 45'
BAF – West Coast	454	568	639	719
BAF – East Coast	886	1107	1245	1401
IFC-Truck	108	108	108	108
IFC-RIPI	188	188	188	188
IFC-IPI	375	375	375	375

August Holiday Schedule

15	Independence Day – India, Korea	All Offices Closed
15	National Holiday – Italy	All Offices Closed
16	Saint Patron Day – Italy	Milan Office Closed
25 – Sept 3	Eid Al-Fitr – Saudi Arabia	All Offices Closed
27	President's Election Day – Singapore	All Offices Closed
30	Hari Raya Puasa – Singapore	All Offices Closed