

Industry Update

December 2009



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KWE Again Honored to Transport Famous Beaujolais Nouveau Wines



KWE France and Japan were once again given the honor of handling the transport of France's famous Beaujolais Nouveau wines. Notably one of the finest, these wines need no introduction – each year, the third Thursday in November is highly anticipated by many looking forward to the first taste of the season's Beaujolais Nouveau.

KWE France shipped 2,070 tons of wine by air and 6 TEUs by sea to Japan with a sales amount of 3.4 million Euro. KWE deployed 198 trucks throughout the Beaujolais area to collect the 1,700,000 bottles of wine. The supply chain process was successfully managed by a specialized team of 6 persons, available 24/7, who closely monitored each step of the process starting from the wine cellars through delivery to the customer's door.

KWE France and Japan succeeded in securing 6 new customers – setting a record of 16 importers in all. Among the famous French vintners are well known names such as Albert Bichot, Georges Duboeuf and Mommessin, Among the famous Japanese customers are Mercian, Suntory, Godo Shusei, Tokuoka, Asahi, Sapporo Bier, Seven-Eleven and Jalux.

Many consider this year's Beaujolais Nouveau wine the best tasting compared to the previous 50. To our friends in Japan who have enjoyed this season's vintage, a hearty THANK YOU! from KWE for trusting us with the transport of this fragile and valuable treasure!

2010 World Expo - Shanghai, China

"It's not too early to start planning ahead"



The Shanghai World Expo will not start until May 1, 2010, but KWE would like our valued customers to know that we are closely monitoring the transportation and security plans being made for the Expo. KWE will continue to provide information and updates on the expected impact of any regulations or restrictions upon all modes of transportation, during the actual event, as well as the periods leading up to the opening and following the close of the Expo.

The possibility of vehicle restrictions similar to those imposed during the Beijing Olympics is a strong likelihood during the Expo activities. Beijing banned vehicles with even and odd-numbered license plates on alternate days during the 2008 Olympic Games in an effort to ease traffic congestion and reduce air pollution. The Shanghai Urban Comprehensive Traffic Planning Research Institute noted that the Beijing ban was a success as it decreased the number of private cars on the street. The restrictions had similar impact on commercial trucking and delivery operations, which had a significant impact on the movement of both air and ocean cargo throughout the greater Beijing area.

Shanghai's Traffic Planning Research Institute advised that vehicle restrictions may be an option during the Expo. No decision has yet been made as various traffic schemes were still being studied. The Traffic Institute plans do include the division of Shanghai into three areas for traffic control during the six-month Expo period.

According to preliminary plans, the first will be the Expo site, which can only be accessed by Expo vehicles, looser controls will be implemented inside the Middle Ring Road area, which includes downtown and the third layer will be the area outside the Middle Ring Road

Three intelligent traffic systems will be set up in the Pudong New Area to improve traffic flow. One major improvement is that traffic lights will turn red or green according to real-time traffic flow as a result of a sensor installed on roads. This system has already been tested in Pudong's Zhangjiang area, where trams have been fitted with a sensor system that turns traffic lights green as the trams approach the intersections.

KWE will implement effective contingency plans and strategies to minimize transit delays for both import and export shipments, and make every effort to offer normalized logistics services and support. Please look for further information and updates in future editions of our *Industry Update*.

Steamship Lines Implement General Rate Increases

Steamship lines have announced the implementation of general rate increases as their cost-recovery measure in all trade lanes. We, at Kintetsu World Express, regrettably must follow suit and will implement the following increases:

Effective date : 01-Dec-2009
 Destinations : Asia, Australia, New Zealand
 Commodity : All dry cargo
 : \$ 080/20' and \$ 100/all other sized containers from Long Beach, CA and Los Angeles, CA
 : \$ 120/20' and \$ 150/all other sized containers from all other USA ports and points

Effective Date : 15-Jan-2010
 Destinations : Asia, Australia, New Zealand
 Commodity : All refrigerated cargo
 : \$ 200/20' and \$ 250/all other sized containers from US West Coast ports
 : \$ 240/20' and \$ 300/all other sized containers from US East Coast ports and inland points (IPI)

Should you have any question and/or require further clarification on the above, please contact your local KWE office or your account executive.



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.



Cathay Pacific Launches New Service to Jeddah, Saudi Arabia

Cathay Pacific Airways celebrated the launch of its new service to Jeddah, Saudi Arabia's second major commercial city. The new service, operated by an Airbus A330-300 aircraft in a two-class configuration was launched on October 26 and will increase the airline's presence in the increasingly important Middle Eastern market. The airline began flights to the Saudi Arabian capital, Riyadh, in 2001, increasing the number of flights from five times a week to daily from August 1 this year in response to sustained demand. With this four-time weekly service operating through Dubai on the way to and from Hong Kong, the airline now serves the Kingdom with a total of 11 flights each week.

The airline's Chief Executive, Tony Tyler, officiated at the inaugural celebration which was attended by nearly 300 guests. Prominent guests included Mr Abdul Elah Falemban, Secretary of Supervisory Committee of the King Abdulaziz International Airport (KAIA), Mr Ziad Sudairi, President of Arabian International Service Company (AISC), members of various local authorities and the diplomatic community in the Kingdom, and representatives from Saudi Arabia's travel industry.

Speaking at the Jeddah inaugural celebration, Mr Tyler said, "The new service to Jeddah is an important development that opens up the western region of Saudi Arabia to the Cathay Pacific network", meaning the airline is able to provide Saudi Arabian travellers with more flexibility and convenience when travelling to the Far East and beyond. "The launch of Jeddah – our airline's 46th online passenger destination – highlights our commitment to the Saudi Arabian market and to the dynamic Middle East region in general. This new service will help to connect business and leisure passengers to Cathay Pacific's extensive international network, and also open up new opportunities for airfreight from the Kingdom."

Links between Saudi Arabia and China, Hong Kong and Asia in general have clearly been growing in recent years," Mr Tyler said. "We at Cathay Pacific are proud to be able to play a part in helping them to grow even stronger through the addition of our latest destination."



From Left to Right: Mr Daniel Cheung - Cathay Pacific Country Manager Bahrain, Saudi Arabia, Mr Abdul Elah Falemban - Secretary of Supervisory Committee of the King Abdulaziz International Airport, Mr. Tony Tyler - Cathay Pacific Chief Executive, Mr. Ziad Sudairi - President of Arabian International Service Company, Mr. Tom Wright - Cathay Pacific General Manager Middle East, India, Africa & Pakistan

Airbus to Set Up Logistics Center in Tianjin

Airbus will set up a logistics center in Tianjin to optimally manage the supply chain for all its projects in China. The new center will serve as a hub to manage the transportation needs of all Airbus aircraft components flowing in and out of the country – more than half of Airbus' worldwide fleet has components produced in China. Laurence Barron, Airbus China president, said Tianjin was selected mainly because of the northern coastal city's geographic advantage as a major seaport and its proximity to Airbus' A320 aircraft final assembly line.

The logistics center will begin operations at a temporary location in the free trade zone in January 2010. The facility will first manage simple logistics operations for the A320 wing-equipping project in Tianjin and Airbus' manufacturing joint venture in Harbin.

China Daily reported that Airbus opened its first final assembly line outside of Europe in Tianjin last year. The plant delivered its first A320 plane in June and is expected to roll out a total of 11 jets this year.

New Regulation for Food Labeling in Canada

Health Canada has worked with the Canadian Food Inspection Agency (CFIA), health professionals, consumer associations, and the food industry to update the requirements for priority allergen labeling on foods sold in Canada. It is revising the policies that impact how prepackaged foods warn consumers about the presence of priority allergens (like peanuts, eggs, and so on).

A new regulation will make it mandatory for food labels to list ingredients (and ingredients of ingredients) that can cause allergies by their common name to make sure that consumers can easily recognize them. However, this new regulation will cover only ingredients that the manufacturer intended to put in the food - not any allergens that may inadvertently get into the food. Since this new regulation does not cover substances that may have been inadvertently added to the food, there is a need to consider how consumers are informed about the possible presence of these allergens.

Health Canada's Consultation workbook on Precautionary Labeling of Priority Allergens in Prepackaged Foods is now available online and can be completed and submitted until February 10, 2010.

For more information please visit the below links:

The "Consultation Workbook" is available at:

http://www.hc-sc.gc.ca/fn-n/consultation/_allergen2009/draft-ebauche-eng.php

Health Canada Consulting on Policy Options for Precautionary Labeling of Priority Allergens on Pre-Packaged Foods:

http://www.hc-sc.gc.ca/ahc-asc/media/advisories-avis/_2009/2009_176-eng.php

Consultation on Precautionary Labeling of Food Allergens:

http://www.hc-sc.gc.ca/fn-an/consultation/_allergen2009/index-eng.php

Updated Information on Transportation and Delivery During Vancouver 2010 Winter Olympics

In the interest of safety and security for the public and participants in the 2010 Olympic Games, the transportation of certain dangerous goods in and around the Vancouver/Whistler and surrounding areas will be controlled during the games. This risk-based interim order responds to requirements built on the work of the Vancouver 2010 Security Surface Technical Working Group and consultation with Industry and input from Transport Canada. The order establishes twelve controlled access zones where the transport of certain dangerous goods into, through or within a zone are subject to controls. All other aspects of the Transportation of Dangerous Goods Act, 1992, its regulations and standards continue to apply within and outside the twelve controlled access zones. TDG inspectors will be enforcing this requirement as well as all other requirements established under the Act, regulations and standards during the games.

Kindly refer to the attached link for Transport Canada's proposed DG restrictions during the Vancouver Olympics.

<http://www.tc.gc.ca/eng/tdg/programs-security-olympics-menu-155.htm>

It should be noted that Delta Port terminal is not effected by the proposed restrictions as it is outside of the controlled access zones. The controlled access zones are shown on the attached link and are concentrated closer to downtown Vancouver.

<http://www.tc.gc.ca/eng/tdg/programs-security-olympics-controlledaccesszones-247.htm>

To ease goods movement during the Games, the City has established temporary truck routes (scheduled to be in effect from Feb 1 - Mar 21, 2010). When feasible arrange with your suppliers to have deliveries occur from midnight to noon (ideally before 6am) and order as many supplies as possible prior to the Games in order to minimize deliveries during this period. Another consideration is to coordinate delivery schedules from common suppliers with neighboring businesses in your vicinity and to arrange back lane delivery.

For maps and more information please visit the below links:

<http://olympichostcity.vancouver.ca/pdf/Truck%20Route%20Map.pdf>

<http://www.vancouver2010.com/more-2010-information/local-business-organization-and-resident-information/transportation-plan-and-maps/delivering-goods-and-services-during-the-2010-winter-games/>



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Asian Air Cargo Backlog Continues and Spreads

The air cargo backlog in China and Hong Kong has spread to other Asian airports, leaving forwarders fighting for space on flights to Europe. Industry sources have told International Freighting Weekly (IFW) that: "Air freight levels are still really buoyant, and the blockage at Hong Kong seems to be migrating north to Shanghai, Beijing and even Korea."

On November 20, there was a backlog of 3,500 tons at Hong Kong Air Cargo Terminals (Hactl), the equivalent of 35 B747 freighters – which meant freight was waiting seven to 10 days for uplift. Forwarders also noted a build-up developing at Bangkok, Singapore and Taipei, where rates had increased to nearly the US\$4 kg mark.

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At Bangkok's Suvarnabhumi Airport several carriers have placed embargoes on transshipment cargo in the last two weeks because Thai origin and destination demand is so great. Thai Airways stopped accepting bookings last week as it sought to clear its own backlog.

"We saw volumes jump by 20% in October over September and November has been very busy with projections to be 9% greater than October," said Stewart Sinclair, MD of Bangkok Flight Services, the leading ground handler at Suvarnabhumi. "September is usually the peak but this year it was flat, then October just took off. It's mostly driven by China; there's no capacity anywhere at the moment."

Ad hoc freight rates from Chinese airports to Europe were pushing close to \$6/kg, confirmed carriers and forwarders contacted by IFW. One source said rates out of Bangkok for ad hoc cargo were also understood to be near the \$6/kg mark.

"This year has been unique, because there have been so many last-minute orders," said Sunny Ho, director of the Hong Kong Shippers' Council. "Over the last few months, sentiment has been improving, unlike inventories were low, but nobody really anticipated shortages. Volumes waiting to be air freighted keep on building up."

A lack of scheduled flights was forcing forwarders and shippers to buy space on charters, where rates had increased to around \$550,000 for a Hong Kong-Europe B747 rotation.

"There is insufficient capacity in the market and delays of 7 to 10 days applied whether forwarders were buying at inflated ad hoc prices, or capacity arranged through long-term agreements"

Airlines remain cautious about rushing freighter capacity back into the market because of doubts about the longevity of the demand rebound. "Nobody knows what demand will be like after the Chinese New Year in February so you can understand their caution," said Ho.

A spokesperson for Cathay Pacific said the carrier had been shuffling its resources to meet rising demand by adding an average six to seven extra sectors or charter flights every week to North America or Europe.

One forwarder described the capacity backlog out of Hong Kong as "ridiculous", but unfortunately this is the current reality. There is insufficient capacity in the market and delays of 7 to 10 days applied whether forwarders were buying at inflated ad hoc prices, or capacity arranged through long-term agreements.

Carrier News



- **Air China**, the major carrier of China, will launch a new route from the eastern city of Hangzhou to Frankfurt in Germany beginning on Jan 1, 2010.

The flight will use the Airbus 330 and depart from Hangzhou every Tuesday, Thursday, Friday, Saturday and Sunday at 9 p.m. via Beijing, arriving in Frankfurt the next day at 6 a.m. local time.

Return flights will operate on Monday, Wednesday, Friday, Saturday and Sunday.

- **Boeing, the Shanghai Airport Authority and Shanghai Airlines** have opened up a new two-bay hangar at their joint venture, Boeing Shanghai Aviation Services.

Located at Shanghai Pudong Airport, the hangar is a major element in Boeing Shanghai's plan to become a world-class facility and an aviation services leader in China. This is important, for it is the world's largest international market for Boeing commercial airplanes. This MRO facility (Maintenance, Repair and Overhaul) will perform line maintenance and heavy maintenance as well as upgrades for airplane interiors, avionics and in-flight entertainment systems.



Major Shipping Lines Announce Steep Losses for 2009 Q3

Two of Asia's largest shipping lines announced major losses for the June-September quarter in a further sign of the unprecedented severity of the crisis battering the industry. Container shipping is by far the worst hit of any major shipping segment by the economic downturn, with volumes of the manufactured goods it ships slumping.

Hong Kong-listed China Cosco, the world's second-biggest dry bulk ship owner and number eight container line, announced third-quarter losses of \$101 Million on revenues down 52.4% on the same quarter last year. Singapore's Neptune Orient Lines, which operates the world's fifth-largest container ship fleet announced \$139 Million net losses for the quarter ending September 30.

Several lines — including France's CMA CGM, Germany's Hapag-Lloyd, Israel's Zim and Chile's CSAV and CCNI — are all either in the course of negotiating restructurings to avoid collapse or have already had bail-outs.



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

WESTBOUND (from USA to Asian destinations)				
	October 01 through December 31, 2009			
	20' dry	other dry	20' reefer	other reefer
BAF – West Coast	367	459	517	646
BAF – East Coast	730	913	973	1216
IFC – Pure truck	53	53	53	53
IFC – Truck/Rail	185	185	185	185
EASTBOUND (from Asian origins to USA)				
	October 01 through December 31, 2009			
	per 20'	per 40'	per 40HQ	per 45'
BAF – West Coast	246	308	347	390
BAF – East Coast	490	613	690	776
IFC-Truck	53	53	53	53
IFC-RIPI	93	93	93	93
IFC-IPI	185	185	185	185

Holiday Schedule – December 2009

16	December	Day of Reconciliation-South Africa	Skeleton Staff
24	December	Christmas Eve – Canada,Germany	Offices closed half day
25	December	Christmas Day	Offices Closed
28	December	Boxing Day - Canada	Offices Closed