

Industry Update

February 2008



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Kintetsu Logistics Vietnam Opening

KWE proudly announces the commencement of full scale operations at Kintetsu Logistics (Vietnam) Inc ("KLV") beginning January 1, 2008.

In March 2005 KWE changed its representative offices in Vietnam to locally registered companies. Presently our comprehensive Vietnam service network has 4 business sites, with two sites in Ho Chi Minh, one in Hanoi and one in Haiphong.

In February 2007 KWE registered KLV as a logistics dedicated company. Since then the preparation to commence full-scale operations, including the construction of a brand new, independently owned warehouse in the Quang Minh Industrial Zone, Hanoi, Vinh Phuc Province, has been steadily developing.

In Vietnam, many Japanese corporations have established rapidly growing manufacturing hubs. The Quang Minh Industrial Zone, in which KLV's new warehouse facility is located, is a base for 14 Japanese corporations including many automobile part manufacturers. In line with this ongoing establishment, particularly in Northern Vietnam, there is a high demand for JIT (Just in Time) and VMI (Vendor Managed Inventory) services. Future growth and an accompanying increase in distribution demand within the region are highly expected.

Through the addition of KLV, KWE is aiming to further increase its high quality one-stop services in Vietnam.

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Name	Kintetsu Logistics (Vietnam) Inc. (Abbreviated as: KLV)
Capital	2,000,000USD
Address	38G Quang Minh Industrial Zone Me Linh Dist., Vinh Phuc Province, S.R.Vietnam
President	Toshihiko Shimamoto
# of Employees	25 (Including one Japanese dispatched employee)
Business Details	Logistics services in Hanoi, Vietnam

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Features of the newly constructed Kintetsu Logistics warehouse

- KLV is the only company to establish a bonded warehouse in the Quang Minh Industrial Zone
- While there are a large number of companies renting warehouse space and conducting operations on an agency basis, KWE, through 100% ownership of this new warehouse facility and completely independent operations, is able to provide an extremely flexible service to satisfy customers' needs
- Customs Examiners permanently assignment at the KLV warehouse providing speedy customs clearance
- Convenient location - only 8 km from Noi Bai International Airport (Hanoi)
- Within the general cargo area and the bonded cargo area the warehouse facility has 3 and 5 truck docks respectively to handle JIT and VMI shipments.
- KLV's own transport fleet includes 2 trailers and 4 trucks.
- Warehouse Facility Space: General Warehouse Space: 2,000m². Bonded Warehouse Space 3,000m² (Office space: 1,000m²).
- 200m² of temperature controlled and low humidity space available within the bonded cargo area

IATA Legal Symposium 2008

The IATA Legal Symposium will be held in Buenos Aires, Argentina from February 10 - February 12, 2008. Now in its eleventh year, the IATA Legal Symposium continues a tradition of providing attendees first hand, in detail, the most current issues facing the airline industry. This event is known as the premier annual legal event of the aviation industry providing a unique opportunity to network with airline general counsel, private practitioners and other aviation leaders.

Date and Location

February 10 - February 12, 2008
 Buenos Aires, Argentina
 The Sheraton Buenos Aires Hotel and Convention Center

For more information, please visit <http://www.iata.org/events/legal2008/index.htm>

New Seaport Development in Vietnam



Hoa Sen Group and General Forwarding and Agency Corporation signed a contract worth US\$62.5 million to establish a logistics service and international seaport in southern Ba Ria-Vung Tau province.

Located on the coast of the country's Southeastern region, Bà Rịa-Vũng Tàu produces 40% of the country's total power capacity. Having tourism, commerce and fishing as major economic activities, Bà Rịa-Vũng Tàu contributes greatly to the country's budget. The provincial GDP per capita ranks second in the country, over US\$ 4,000.

The newly created seaport will cover a total area of 55 hectares, including seven hectares of wharf. Once operational in 2010, 984 ft. of wharf will accommodate 50,000 deadweight tons (DWT) ships.

The seaport is expected to handle 2 millions tons of cargo each year and the country is estimated to raise \$5 billion to build and update its seaport system from now through 2010.

The Vietnamese government understands the importance of developing seaports, thus upgrading and renovating many existing ports to meet international standards.

With the country's aim to handle 250 million tons of cargo in 2010, the Vietnamese government and local authorities will be reliant on many other incentives to attract foreign investors and global traders .

Shanghai Port Surpasses Hong Kong in 2007



Shanghai's ports celebrated its #2 position in terms of TEU throughput in 2007. It surpassed Hong Kong with 26 million TEUs, with a growth of more than 20 percent compared with last year.

Cargo throughput reached 560 million tons in 2007, ranking first globally for the third straight year. Shanghai has started to upgrade inner river services such as the Hangzhou-Shanghai Line and Suzhou-Shanghai Outer Port Line.

Singapore is still recognized as the world's largest port city in terms of TEU throughput and its throughput rose 12.7 percent to a record 27.9 million TEUs.

With a number of shippers switching to more convenient ports in the southern Chinese cities of Guangzhou and Shenzhen, Hong Kong's container traffic slowed by 1.5 percent in 2007 to 23.88 million TEU,



New IATA Financial Forecast

According to reports from IATA published in December 2007, industry financial forecast estimates a global industry profit of US\$5.6 billion in 2007 falling to US\$5.0 billion in 2008.

IATA sharply revised downward its outlook for net profit of 2008 to US\$5.0 billion from the previous forecast of US\$7.8 billion. The volatility of fuel prices is expected to add US\$14 billion to the industry fuel bill, driving it up to US\$ 149 billion (based on an average price of US\$78 per barrel).

The traffic growth rate is also expected to decrease to 4.0% and revenue growth to 4.7% resulting from the harsh impact of the recent credit crunch. Simultaneously, capacity expansion is anticipated to accelerate in 2008 with an increase in aircraft deliveries to 1,281 (up from 1,041 in 2007).

With 35% of the fleet over 25 years old, North American carriers will suffer the greatest profitability loss from US\$2.7 billion in 2007 to US\$2.2 billion in 2008. The high fuel prices being greater in this region as well as the fact that it is at the center of the credit crunch are direct factors. On the contrary, Latin America is the only region expected to have improved profitability by US\$100 million to obtain a break even in 2008.

Port of Los Angeles Remains on Top

The Port of Los Angeles led the nation in container volume during 2007 with 8.4 million TEUs, a 1.36 % dip in total TEU volume.

Located 20 miles south of downtown Los Angeles, this booming seaport not only sustains its competitive edge with record-setting cargo operations, but is also known for its groundbreaking environmental initiatives, progressive security measures and diverse recreational and educational facilities.

Containerized export cargo continued to grow at a record pace in 2007, with a 13% increase of loaded outbound containers to 184,023 TEUs and an 11.4% decrease in empty containers.

Since 2000, containerized exports have risen 63%. The port's export trade includes cotton, waste paper, scrap metal, animal feed, resins, and aircraft and automotive parts. In Fiscal Year 2007, the top five containerized imported goods were furniture apparel, auto parts, tires toys, and computers.

Meanwhile, container trade volumes of the Port of Long Beach reached 7.31 million TEUs in 2007 compared with 7.29 million TEUs in 2006.

The Port includes 7500 acres, 43 miles of waterfront and features 27 cargo terminals. Moreover, it is the 10th busiest in the world and 5th busiest in the world when combined with the neighboring Port of Long Beach.

The top trading partners of the Port of Los Angeles in Fiscal Year 2007

1. China (\$111.9 billion)
 2. Japan (\$40.4 billion)
 3. Taiwan (\$14.8 billion)
 4. South Korea (\$9.6 billion)
 5. Thailand (\$7.3 billion)
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KWE Canada Launches New Website



KWE Canada is pleased to announce the release of our 2008 website.

The new site provides a dynamic appearance with an ease to navigate information and news. Additionally, Online Forms and Tools such as the online ocean Volume Calculator have been significantly improved to allow customers to determine the use of a standard container.

The KWE Canada Marketing Team invites customers to visit our new site at www.kwe.ca and offer any suggestions or comments by emailing us at info@kwe.ca.

Canada – Goods and Service Tax Reduction

Effective January 1, 2008, the rate of the Goods and Service Tax (GST) and the federal component of the Harmonized Sales Tax (HST) has been reduced from 6% to 5%. This is a 5% tax on all products, except certain essentials such as groceries, residential rent, and medical services, and services such as financial services.

The provincial component of the HST will remain at 8%. This means that the rate of Harmonized Sales Tax will be reduced from 14% to 13% for purchases only made in or imported into New Brunswick, Nova Scotia, and Newfoundland and Labrador (the participating provinces).

For most purchases, the rate of tax will be determined by the date the GST/HST becomes payable or is paid. If GST/HST became payable or was paid in 2007, the old GST rate of 6%, or HST rate of 14%, applies. If the tax became payable on or after January 1, 2008, or was paid on or after January 1, 2008, the reduced GST rate of 5%, or HST rate of 13% will apply. If the tax became payable on or after January 1, 2008, or was paid on or after January 1, 2008 without having become payable before that day.

Province	GST/HST Rate (%)	PST Rate (%)	Combined Rate (%)
Alberta	5	not applicable	5
British Columbia	5	7	12
New Brunswick	13	not applicable	13
Northwest Territories	5	not applicable	5
Nova Scotia	13	not applicable	13
Ontario	5	8	13
Saskatchewan	5	5	10

Provincial GST/HST/PST Rates

Emergency Bunker Surcharge (EBS) - Canada

Please note that an Emergency Bunker Surcharge (EBS) for transpacific E/B traffic from Far East countries and Indian subcontinent areas to Canada will shortly be assessed as follows:

Effective January 1, 2008 to April 30th, 2008

- US\$ 240 per 20' container
- US\$ 300 per 40' container
- US\$ 340 per 40' High Cube Container
- US\$ 380 per 45' container
- US\$ 6 per CBM

Currency Adjustment Factor (CAF) - Canada

In light of the appreciation of the Canadian Currency and the associated cost increases of any services rendered in Canada, Transpacific carriers will implement the Currency Adjustment Factor (CAF) for shipments into Canada.

- The CAF will be 12 %
- CAF will be calculated and will fluctuate on a monthly basis.
- CAF trigger will be based on a 2 % variance.

Additional Note:

Effective January 1, 2008 CAF will be applicable to all cargo from Far East and Indian Sub-Continent (Bangladesh, Brunei, Burma, Cambodia, India, Indonesia, Korea, Hong Kong, Macau, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam) to Canada.

Effective January 7, 2008 CAF will be applicable to all cargo moving from CHINA to Canada.

Effective February 1, 2008 CAF will be applicable to all cargo moving from JAPAN to Canada.

Emergency Bunker Surcharge (EBS) & GRI - Hong Kong

Due to the uprising fuel price over USD500 per tons, carriers implemented Emergency Bunker Surcharge at US\$ 300 per TEU for cargo from Asia to Trans-Pacific Eastbound with effect January 1, 2008

Also, GRI for Asia to Europe Westbound will be applied US\$ 200 per TEU with effect January 1, 2008.

Carrier News



- **Singapore Airlines** doubles its service to twice daily flights between Singapore and Zurich. It will increase its number of service to 10 times per week starting on March 4 and to 14 times by March 31.

- **Qatar Airways** will launch flights to Guangzhou beginning March 31, 2008. Doha-based **Qatar Airways** will become the first airline from the Gulf to serve Guangzhou. It will operate four direct flights a week using an Airbus A330 aircraft in a two-class configuration of up to 24 seats in Business Class and a maximum 248 in Economy. **Qatar Airways** expects to cement its position in one of the world's fastest growing economies by serving the southern Chinese industrial port city of Guangzhou from the start of the summer flying season.

- **Jet Airways** - India's premier airline will launch its daily direct flights to Muscat and Doha from Kozhikode (Calicut) beginning January 23, 2008. Simultaneously, **Jet Airways** will also launch flights from Kochi to Muscat and Mumbai to Doha on the same day. **Jet Airways** will serve these routes, with its world-class service, on the advanced Boeing 737-800 aircraft, offering the highest quality of comfort, courtesy, reliability and high standards of in-flight and ground services, for which the airline has been highly acclaimed.

India Given New Security Clearance

India has given security clearance to the Great Wall of China, a cargo airline, to fly to Chennai and Mumbai. In return, it could possibly open the way for Beijing to allow Indian carriers to commence operations to various Chinese destinations. Despite the booming business ties between the two countries, Air India so far was able to operate only four flights a week to Shanghai.

India withheld permitting clearance to the Great Wall of China for security reasons. According to intelligence agencies, the main shareholder of this airline was a company that was blacklisted by US agencies because of its interests in certain businesses.

With India's Prime Minister, Manmohan Singh's official visit to China, India expects to encourage Beijing to grant long-pending security clearance to Air India and Jet Airways to launch flights to Chinese cities of Guangzhou and Shanghai respectively.



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 **Feb 01 – Feb 29, 2008**.

EBAF:

	Eastbound (to USA)	Westbound (from USA)
20' container	USD760.00	USD724.00
40' container	USD980.00	USD905.00
40'HQ container	USD1065.00	USD1015.00
45' container	USD1220.00	USD1160.00

IFC:

Inland transported by truck: \$82 per container

Inland transported by truck and rail combination: \$285 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 – February 2008

6	Feb - 12 Feb	Lunar New Year Holiday – China, Taiwan
7	Feb - 9 Feb	Lunar New Year Holiday – HK, Korea, Singapore

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