

# Industry Update

January 2009



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## **KWE (U.K.) Achieves TAPA Class A Certification**

KWE is pleased to announce that its locally registered company, Kintetsu World Express (U.K.) Ltd. ("KWE (U.K.)") has achieved Class A certification from [TAPA \(Transported Asset Protection Association\)](#), in accordance with the association's cargo security management standards, for the warehouse attached to its London head office.

Since receiving our first Class A certification for the Hong Kong warehouse in December 2001, KWE now boasts 19 Class A certified warehouses worldwide. This is the second KWE warehouse in Europe to receive Class A certification, following on from our Amsterdam warehouse that was certified in 2004.

This certification is a representation of the ongoing commitment of KWE (U.K.) to provide logistics services of the highest quality.

### **1. Certification Date**

November 13, 2008

### **2. Certifying Body**

TAPA-EMEA  
(The Transported Asset Protection Association Europe)

### **3. Auditing Body**

SGS United Kingdom Ltd

### **4. Applicable Standards**

\* 2007 TAPA FSR dated 01 January 2007

\* TAPA, in accordance with its security requirements and standards such as designated theft prevention measures for consigned cargo (2007 edition), evaluates forwarders based on criteria such as facility security, alarm equipment, CCTV, lighting, personnel, truck acceptance and dispatch management, use and control of locks and security cards, checks of cargo delivery and receipt together with management and control of documents, records and information. Class A certification requires that the most stringent criteria are satisfied, with lower class certifications of B and C also available.

## TKK Logistics (Thailand) to become a Subsidiary of KWE

KWE announced at a meeting of the Board of Directors on December 24, 2008, that it was determined to acquire all shares in the forwarding company TKK Logistics (Head Office: Bangkok, Kingdom of Thailand, ("TKK")). Upon completion of that share acquisition, TKK will become a consolidated subsidiary of KWE.

KWE has reached an agreement with Mr. Kanit Smithivas, the present Chairman and sole shareholder of TKK, under which the KWE group included KWE affiliate in Thailand in stages (initial acquisition 60% of shares, the remainder in 3 years) will acquire all the shares of TKK, making it a consolidated subsidiary of KWE. This will be a non-hostile takeover, having been approved by TKK's Board of Directors.

Commencing operations in 1986, TKK is a forwarding company with a strong business base centering around logistics services for the automotive and electronic parts industries together with the provision of air and ocean freight transporting services. By securing TKK's commercial and trading rights, KWE will both expand the range of its transported products as well as further diversify its consignor client base.

In addition, as TKK already owns a number of warehousing facilities, the acquisition of TKK is expected to further enhance KWE's comprehensive network of business sites within Thailand. This acquisition is expected to play a large role in KWE's future business development which will help ensure its position as one of the premier freight forwarding and logistics companies.

### Outline of Subsidiary Transfer (Share Acquisition)

(1) Business Name:	TKK Logistics Co., Ltd.
(2) Representative:	Mr. Kanit Smithivas / Chairman
(3) Registered Office:	No.99 Ladprao Soi28, Ratchadaphisek Road, Chankasem Sub-District, Chatuchak District, Bangkok Metropolis, Thailand
(4) Date of Establishment:	February 1986
(5) Main Businesses:	Logistics, Customs Clearance, Air and Ocean Freight Forwarding
(6) Account Settlement Date:	December 31
(7) Number of Employees:	685
(8) Main Office:	Bangkok, Kingdom of Thailand
(9) Capital:	450 million baht (Approx. 1,215 million yen)
(10) Number of Issued Shares:	4,500,000
(11) Major Shareholder and % of Shares Held:	Mr. Kanit Smithivas 100%
(12) Results for the Last Fiscal Year:	(FY2007) Sales: Approx. 3,158 million yen Net Income: Approx. 62 million yen Total Assets: Approx. 3,443 million yen

- Number of Shares to be Initially Acquired and Shareholding (KWE group in total),  
Acquired Price
  - (1) Number of Shares Prior to Transfer (Acquisition): 0 (0%)
  - (2) Number of Shares to be Transferred (Acquired): 2,700,000
  - (3) Number of Shares After Transfer (Acquisition): 2,700,000 (60%)
  - (4) Acquired Price: 229.8 million baht (Approx. 620 million yen)
- Initial Share Transfer (Acquisition)  
January 5, 2009 (planned)

## U.S. Looks to Boost Product Safety Efforts with EU, China

In a first-of-its-kind summit among the U.S., the European Union and China, this meeting served to illustrate that consumer product safety continues to be a top priority for the three trading partners. Even as the U.S. and EU continue to implement an initial round of regulatory changes drawn up in response to last year's recalls of goods imported from China, the three economies are moving to take additional steps.

EU Consumer Commissioner Meglena Kuneva, U.S. Consumer Product Safety Commission Chair Nancy Nord and Vice-Minister of China's General Administration of Quality Supervision, Inspection and Quarantine Wei Chuanzhong met Nov. 17 in Brussels to discuss the specific actions on which they plan to focus in the next year, as highlighted below. A follow-up summit is slated for sometime in 2009.

- **Information Exchange** – The Consumer Product Safety Improvement Act, which was signed into law in August by President Bush, allows the U.S. for the first time to provide Europe with warning of product recalls notified to U.S. authorities. The two sides anticipate making this a priority in 2009.
- **Traceability** – Quarterly reporting from China shows clearly that too often when corrective cannot be taken at source it is because the necessary information is missing. Addressing this critical weakness by exploring the possibility of developing harmonized approaches to product traceability systems will also be a priority for the next year.
- **Convergence of Safety Standards** – The three economies will focus on coordinating their safety standards on toys and children's products. As a first step, no later than Jan. 1, 2009, participants will share anticipated regulatory developments for the period 2009-2010. If this effort is successful they may look to extend it to standard setting in other areas as well.
- **Enhanced MOU** – The EU and China signed an enhanced memorandum of understanding on product and food safety and sanitary and phytosanitary issues. The upgraded MOU includes the possibility for the EU and China to carry out coordinated and simultaneous checks on particular sectors of their own markets/producers to check that product safety standards are being met.

## Mexico Cuts Industrial Import Tariffs

Mexico will cut tariffs on capital goods and other industrial imports to lower costs for Mexican manufacturers who have been hurt by the recession in the United States, Finance Minister Agustin Carstens announced.

The cuts are aimed in particular at the maquiladora factories that assemble goods near the border, using components imported from the U.S., and then re-export higher-value-added products back to the United States.

The government plans to cut tariffs on up to 5,000 different classes of goods between 2009 and 2012. The United States buys 80 percent of the country's exports, so slumping demand for Mexican exports have taken a heavy toll on Mexico's economy. Mexico's industrial sector has not recorded any growth since May and productivity growth has not grown in 2008. By lowering the cost of key imported components, the measure could raise the productivity and competitiveness of Mexican manufacturers.

The Mexican government projects that GDP growth in the country will fall to 2 percent in 2008 and drop even further to 1.8 percent in 2009. Some private-sector economists are predicting that the country could face a sustained recession.



## Canada Port to Provide Short Sea Shipping

The Hamilton Port Authority is launching a short sea shipping initiative with a dedicated container feeder vessel bound for India and Pakistan via the Montreal Gateway Terminal.

The shipment, for Sunrise Metals, is centered around recycled metals, primarily sourced locally and in the Golden Horseshoe. It consists of 68 containers which will be barged to Montreal by Hamilton based McKeil Marine and be routed from there by Maersk and CMA CGM, two of the top five container lines in the world.

Short sea shipping, a significant component to goods movement throughout Europe, has been increasingly identified as providing long term sustainability for the St. Lawrence Seaway.

Making this specialized type of service an important piece of the port's traffic connecting to Canada's East Coast ports is a central part of our overall Hamilton Port Authority strategy.

The ability to ship via vessel containerized cargo from Hamilton to Montreal and Halifax for transfer to global markets provides Canada a great opportunity to operate efficiently in the Golden Horseshoe of the province of Ontario.

## US Announce Chinese Anti-Subsidy Results

The Department of Commerce announced its preliminary findings in its anti-subsidy investigation against Chinese exporters of kitchen-appliance shelving and racks from China.

The agency found that several Chinese exporters have received net countervail-able subsidies ranging from 13.22 to 197.17 percent.

As a result of its findings, Commerce will instruct Customs and Border Protection to suspend liquidation of entries of subject merchandise and to collect a cash deposit or bond based on these preliminary rates. Commerce expects to issue its final determination in the case in May, 2009.

Chinese exporters, including Guangdong Wireking Housewares and Hardware, that cooperated with the Commerce Department's anti-subsidy investigation received a net subsidy rate of 13.22 percent.

Several Chinese exporters that did not respond to Commerce's request for subsidy-related information were assessed a net subsidy rate of 162.87 percent based on the facts available.

Companies that failed to cooperate include Changzhou Yixiong Metal Products; Foshan Winleader Metal Products; Kingsun Enterprises Group; Yuyao Hanjun Metal Work/Yuyao Hanjun Metal Products., and Zhongshan Iwatani.

The U.S. petitioners in the Commerce investigation were Nashville Wire Products; SSW Holding Co.; the United Steelworkers, and the International Association of Machinists and Aerospace Workers.



## CTA Warns of New Fee-Collection System Hazards

The Canadian Trucking Alliance says the implementation of a new system for renewing the transponder technology used by most truckers to pay US border crossing fees, has been so fraught with problems that unless immediate contingencies are put in place, traffic could be snarled at Canada-US border crossings beginning on Jan. 1, 2009.

Moreover, the Alliance warns that the Free and Secure Trade (FAST) program, which is heavily relied upon by the automotive manufacturing sector, for example, could be particularly compromised.

The CTA explains that the trans-border trucking companies are charged a combination of fees each and every time they enter the United States. The fees are collected by the US Customs and Border Protection Agency (CBP), a branch of the US Department of Homeland Security. Trucking companies have two options for paying the fees: they can either pay US\$10.75 each time one of their trucks crosses the border, or they can equip their trucks with transponders and pay an annual fee of US\$205 per truck. For most trans-border carriers the transponder option is optimal, according to the CTA. However, trucking companies must renew the transponders each year before Dec. 31.

The root of the problem is that CBP recently changed its process for transponder renewal, according to the CTA. The new system, called the Decal and Transponder Online Procurement System (DTOPS), was to have been introduced in September 2008. However, implementation was delayed twice due to problems uncovered during testing, and was not introduced until November 17 - a mere seven weeks before the end of the year renewal deadline.



Generally, it takes anywhere from eight to 12 weeks for the application and renewal process to be completed. Moreover, the Alliance indicates that significant problems have been encountered during the transition to the new system, creating an enormous backlog. Paper applications for transponder renewal, which CBP had been accepting, were suspended last month, and carriers were told to go to a new online web-based system. But, the Web site has not been functioning properly, and within a half-hour of going live, it crashed, states the CTA. Technical difficulties persist. Compounding the problem is that the DTOPS office has a staff of only 30 to handle the processing of electronic applications, the backlog of paper applications and troubleshooting system errors, and technical glitches. Carriers complain that when they call the DTOPS office for assistance, they are put on hold for extended periods, or are asked to send an email or leave a voice mail. Follow-up is slow or non-existent.

In November, the DTOPS office told CTA it would have to process 1,400 applications per day to be able to issue all renewals before the end-of-year expiry date. The current completion rate may actually be as low as 285 per day, states the CTA. Moreover, just last week CBP said there are still almost 90,000 transponder renewals to be processed, which would require a process rate of about 3,100 applications per day. The inescapable conclusion, according to the CTA, is that many trans-border trucking companies will not have valid transponders on January 1, 2009, and they will have to pay the border crossing fee every time one of their trucks crosses the border into the United States. US border officials will require additional time to process individual payments and issue thousands of receipts. The FAST program, which works in conjunction with an active and functioning transponder, would be rendered meaningless.

The CTA and its US counterpart, the American Trucking Associations (ATA), have suggested that CBP could adopt a policy of soft enforcement of transponder renewals on January 1st, 2009 that will allow existing transponders to be used, without having to produce proof of renewal.

## Japan and Vietnam Sign Free Trade Agreement

The Japanese Foreign Ministry announced that Japan and Vietnam will sign a free trade agreement to eliminate import tariffs on most products traded between them within 10 years.

The two countries reached a broad agreement on major elements of the deal in September after two years of negotiations.

Japan exported \$6.12 billion worth of products to Vietnam and imported \$6.14 billion worth of goods from the Southeast Asian country in 2007.

Under the bilateral accord, Japan will eliminate import tariffs on about 95 percent of Vietnamese products by value within 10 years, while Vietnam will remove import tariffs on about 88 percent of Japanese goods by value.

The pact is Vietnam's first with a foreign trading partner, separate from those signed as part of the 10-member Association of Southeast Asian Nations.

Japan, the second-largest economy in the world and the largest in Asia, has bilateral accords with Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei and the Philippines.

Tokyo has also reached a broad agreement in negotiations with Switzerland, and is in talks with India, Australia and the six-nation Gulf Cooperation Council.

## Negotiations Delay Strike in Canadian Port

The threat of a strike at Canada's Port of Vancouver seemed less likely after a marathon collective bargaining session. Negotiators for British Columbia waterfront employers and 450 unionized ship and dock foremen who oversee more than 5,000 longshoremen at the province's ports exchanged new contract offers in a two-day negotiation.

A strike or lockout which could have begun as early as Jan. 2 now is delayed at least until Jan. 12.

The British Columbia Maritime Employers' Association and International Longshoremen and Warehouse Union Local 514 in the latest talks managed to overcome an impasse on several issues that threatened to halt container traffic through Vancouver, Canada's busiest gateway for Asia imports.

Employers presented a new comprehensive proposal and the union on Sunday responded with a counter-proposal. The talks adjourned with the understanding that the BCMEA would respond quickly.

In a worst-case scenario, the union could call a strike starting Jan. 12, which would also affect Asia traffic moving through the Port of Prince Rupert to the U.S. Midwest.

The foremen have been without a contract since March, 2007. Wages are less the issue than pensions and a call by employers for unfettered introduction of new technologies and work practices to make handling of cargo more efficient.

The new proposals involve a full range of issues, but both sides would maintain a media blackout while negotiating details.



## STB Approves Chicago-Area Rail Deal

The Surface Transportation Board approved Canadian National Railway's purchase of the Chicago-area short line Elgin, Joliet & Eastern Railway. The STB's decision will become effective on Jan. 23, 2009 and Canadian National expects to be in a position to close on the \$300-million purchase of EJ&E from parent United States Steel shortly thereafter.

The Canadian carrier plans to spend \$100 million more to upgrade the 190-mile short line's low-density tracks, which arc westward around Chicago's congested downtown rail networks, and then shift CN's through traffic onto that suburban track and save many hours per train trip.

Area suburbs fought the plan as a major industrial threat to a residential and commuter lifestyle, and CN has so far signed deals that will cost it at least \$60 million to help ease local adjustments.

The regulatory board in its decision Dec. 24 set some mitigating conditions for the environmental impact on those suburbs, including a five-year special STB oversight period and having CN pay most of the costs of two construction projects to separate EJ&E tracks from suburban roadways.



## U.S. Chamber of Commerce Offers Stimulus Plan

The U.S. Chamber of Commerce plans to offer its own economic recovery package to the business community.

The plan, according to an advance statement of a speech scheduled for the first week of January, supports many proposals offered by President-Elect Barack Obama.

The Chamber's President and Chief Executive Thomas J. Donohue and Executive Vice President for Government Affairs R. Bruce Josten will highlight the business community's priorities to stimulate the economy and create jobs throughout 2009. Plans will be introduced at the annual State of American Business event Jan. 7 held at the organization's headquarters in Washington.

The world's largest business federation has developed a strategy for restoring growth, including the following steps:

- Immediate enactment of an economic stimulus;
- Major investments in infrastructure, energy, and technology;
- Reforming financial regulations, overhauling public schools and workforce training, fixing the broken legal culture and the ailing health care system; and
- Preserving business and innovation by opening markets to trade, challenging organized labor's anti-growth agenda, and ensuring reasonable taxes and regulations.

The Chamber said it will attempt to mobilize businesses in support of the agenda.

## Carrier News

- **Shenzhen Airlines Cargo** has signed an agreement with Hong Kong Jin Ming Logistics to build a cargo terminal in Hong Kong to expand its logistics arm in the territory.

The 1,000-square meter terminal with an annual capacity of 10,000 tons will provide such services as shipments and loadings, warehousing, collection delivery, distribution, hauling and documentation.

The airline is committed to develop a freight network linking Hong Kong to Shenzhen and Chinese mainland through its cargo terminal, making it the first mainland airline to open an air cargo terminal in Hong Kong.



- **Continental Airlines** will conduct the first bio-fuel powered demonstration flight of a U.S. commercial airliner. The demonstration flight will be powered by a special fuel blend including components derived from algae and jatropha plants - sustainable, second-generation fuel sources that do not impact food crops or water resources, and do not contribute to deforestation.

The demonstration flight will be the first bio-fuel flight by a commercial carrier using algae as a fuel source and the first using a two-engine aircraft, a Boeing 737-800 equipped with CFM International CFM56-7B engines.

- The government of China will bail out **China Eastern Airlines** through a capital injection of \$812 million to its parent company, in addition to an earlier \$438 million aid package.

The airline will use the funds to improve its balance sheet and strengthen its ability to continue operations, according to a statement posted on the Shanghai Stock exchange Web site. China Eastern will sell 1.437 billion new shares to its parent in exchange for the capital, it said.

Early in December, both China Eastern and **China Southern Airlines** announced share placements with their parent firms in exchange for \$438 million each in cash injections from the government, as the world's fastest growing economy slows. The airlines face falling passenger demand, heated competition and cost pressures.

The government is floating the possibility of merging Shanghai-based China Eastern and its smaller rival **Shanghai Airlines** to create a company with a 60 percent share of domestic flights in the financial hub.

- After 50 years of independence, **Martinair** has become a 100 percent subsidiary of **KLM** following EU Competition Commission approval for the A.P. Moller - Maersk Group to sell its 50 percent stake.

In 2007 Martinair had a net loss of approximately \$90 million on revenues of \$1.3 billion. Based on historic exchange rates, total assets that year were valued around \$860 million - down from a 2006 level of \$950 million.

Martinair operates a fleet of 747-400 and MD 11 freighters plus B767 passenger aircraft. KLM operates 747-400 freighters and 747-300 Combis.



## UPDATE : Emergency Bunker Adjustment Factor (EBAF) Inland Fuel Charge (IFC) and Clean Truck Fee

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 **January 05 – March 31, 2009**.

	<u>EBAF:</u>	
	Eastbound (to USA)	Westbound (from USA)
20' container	USD328.00	USD566.00
40' container	USD410.00	USD708.00
40' HQ container	USD461.00	USD708.00
45' container	USD519.00	USD708.00

### IFC:

Inland transported by truck: \$92 per container  
Inland transported by truck and rail combination: \$317 per container

### CTF:

The Clean Truck fee (CTF) that was to be assessed effective November 17, 2008 has been delayed pending resolution of outstanding regulatory issues.

KWE will keep you informed of any changes that may occur regarding this fee collection.

## Holiday Schedule – January 2009

19 January  
26-28 January

**Martin Luther King, Jr. Day** – United States  
**Chinese New Year** – Hong Kong, Korea, Singapore, China, Taiwan

*Recently we have been seeing announcements from several carriers regarding pending Fuel Surcharge changes. The continued fluctuations of the global barrel prices are the driving force behind these possible and anticipated changes. 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*



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