

# Industry Update

January 2010



## Inside This Issue

- 1 [KWE Korea Announces Grand Opening of Suwon Logistics Center](#)
- 2 [CTSA Carriers Implement BAF/Interim Rate Increases](#)
- 3 [KWE Deutschland Achieves AEO Status](#)
- 4 [Ports of Halifax and Haiphong Sign Memorandum of Understanding](#)
- 4 [One Year Extension of GSP and ATPA Signed Into law](#)
- 5 [Carrier News](#)
- 5 [Cathay Pacific Increases Capacity to Milan and North America](#)
- 5 [KWE Receives 2009 Quest for Quality Award](#)
- 6 [Update BAF and IFC](#)
- 6 [Holiday Schedule](#)

## **KWE Korea Announces Grand Opening of Suwon Logistics Center**

KWE Korea proudly announces the establishment of their fourth warehouse in Korea – the Suwon Logistics Center. In response to the recent booming demand of 3PL business in the area, KWE is rapidly expanding their footprint in Korea. The warehouse addition is also perfect timing to accommodate the new 3PL business obtained from one of the world's largest semiconductor companies.

The Suwon warehouse is conveniently located at the intersection of highways Route 1 and 50. KWE believes that this strategic location will also benefit other existing customers with their JIT business needs as many of the large supplier warehouses are within 30 minutes to 1 hour of the new warehouse.

1. Name : Suwon Logistics Center
2. Address : 1F Kumwon Logistics Center, 279-1, 297-3, 297-5, 298 Shingal-Dong, Kiheung-Ku, Yongin-City, Kyunggi-Do, Korea
3. Tel : +82-31-282-2508 / 283-2508 / 281-2507 / 282-2507
4. Fax : +82-31-282-2215
5. Manager : Mr. Thomas Lee
6. Opening : 2009 Dec 01
7. Space : 5,313.73m<sup>2</sup>
8. Status : General Warehouse



## CTSA Carriers Implement BAF / Interim Rate Increases

Major shipping lines of the Canada Transpacific Stabilization Agreement (CTSA) have announced a bunker adjustment factor (BAF) rate increase in January 2010 and several interim rate increases. Per a CTSA press release, CTSA carriers serving the market from Asia to Canada say they cannot wait for May 1, 2010 rate increases, with operating cost pressures jeopardizing service levels and now plan to seek immediate relief through a program of rate adjustments.

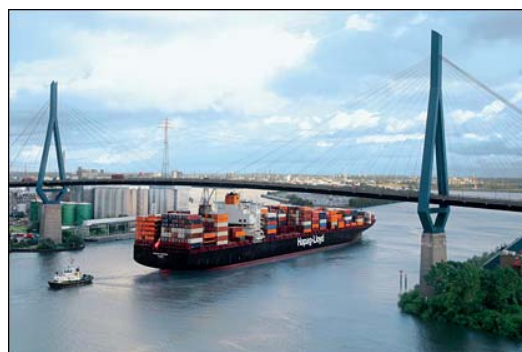
CTSA carriers have announced that effective in January 2010, the bunker adjustment factor (BAF)/Fuel Recovery Charges will be at the following levels:

### For East Coast Ports

20-ft container	US\$551
40-ft container	US\$689
40-ft high cube container	US\$775
45-ft container	US\$872

### For West Coast Ports

20-ft container	US\$278
40-ft container	US\$348
40-ft high cube container	US\$392
45-ft container	US\$390



The Asia-Canada interim rate increases will be as follows:

- Effective January 15, 2010, there will be a general rate increase (GRI) of US\$400 per 40-foot container (FEU) for Vancouver local and door cargo, and US\$500 per FEU for all intermodal and East Coast all-water shipments. The new rates will apply to all CTSA origins, including Pakistan, Sri Lanka and Bangladesh. This GRI applies to existing rates only and does not replace the previously announced May 1, 2010 GRI of \$800 per FEU for Vancouver local and door cargo, and \$1,000 per FEU for intermodal and East Coast all-water shipments, which will be applied to all long-term contracts going forward in 2010. (Please refer to the FedEx Trade Networks bulletin posted on October 22, 2009.)
- Effective January 1, 2010, a full, floating bunker charge of US\$348 per FEU to the West Coast and US\$689 per FEU for intermodal and East Coast all-water moves will be applied.
- Effective January 1, 2010, a Currency Adjustment Factor (CAF) of 5% will be applied to all base rates.
- The current CTSA peak season surcharge (PSS) will be extended through March 31, 2010.

"This is a make-or-break period for ocean carriers globally, but especially in the Pacific" said CTSA executive administrator Brian M. Conrad. "Current rates are unsustainably low, and lines are looking ahead to a likely increase in cargo and service demand heading into 2010. There is just no way they can continue on the course they've been pursuing all the way through next spring."

CTSA is a discussion forum of 10 major container shipping lines serving the trade from Asia to ports and inland points in Canada. Members include:

American President Lines, Ltd.	Kawasaki Kisen Kaisha, Ltd. (K Line)
COSCO Container Lines, Ltd.	Nippon Yusen Kaisha (N.Y.K. Line)
Evergreen Marine Corp. (Taiwan), Ltd.	Orient Overseas Container Line, Inc.
Hapag Lloyd AG	Yangming Marine Transport Corp.
Hyundai Merchant Marine Co., Ltd.	Zim Integrated Shipping Services

## General Rate Increase Announced

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

Effective date : 15-Feb-2010  
 Destinations : Asia, Australia and 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

As a reminder, the following increase will take place as previously announced:

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.

## KWE Deutschland Achieves Authorised Economic Operator (AEO) Status

Kintetsu World Express (Deutschland) GmbH (KWE D), Dusseldorf Headquarters, and its branch offices in Germany are proud recipients of the Authorised Economic Operator (AEO) Status by the Customs Authorities of Dusseldorf.

AEO Status speeds up the flow of goods and materials through customs and offers our shippers advantages that include privileged and expedited customs clearance, control and confirmation of certificates of origin and community status, and the shortening of advance notification terms.

A stringent requirement for all companies seeking to apply for the AEO Status, is the demonstration of testable customs and financial accounting as well as proven financial security. Furthermore, participating companies must have a transparent organization of their customs processes and appropriate security procedures against unauthorized access to goods or data.

In all member states of the European Union the AEO Status is valid for an unlimited period in time and can be awarded in three categories:

- AEO C - Simplification by Customs Law
- AEO S - Safety and Security
- AEO F - (Full) Simplification by Customs Law / Safety and Security

KWE D have achieved the highest possible degree "AEO F". With this status KWE D will be recognized as a logistics provider ensuring security, financial standing, data protection and quality within the international Supply Chain. As an AEO F service provider, KWE can also provide the following advantages to our customers:

- Data transfer of reduced records for electronic preregistration
- Fewer checks on goods and documents
- Increased security and promptness through optimization of the supply chain process
- Special co-operation with customs authorities.



## Ports of Halifax and Haiphong Sign Memorandum of Understanding

The Port of Halifax is looking to expand its relationship with the Port of Haiphong after signing a Memorandum of Understanding with the Vietnamese port.

Vietnam is a South East Asian country that works geographically for the Port of Halifax and our customers. According to the Halifax Port Authority, which has visited the Port of Haiphong as part of the Atlantic Gateway trade mission to Vietnam, Asian volumes through the Port of Halifax continue to grow with nearly half of import containerized cargo now originating in South East Asia. The Port of Haiphong is a quickly emerging Vietnamese container port that Halifax has targeted as a partner to generate future business.

The purpose of the MOU between the Port of Halifax and the Port of Haiphong is to enhance cooperation in identifying business opportunities, increase awareness of the ports, exchange information, and initiate joint marketing initiatives.

The MOU recognizes that the Port of Haiphong is a gateway or "border port" for trade between Northern Vietnam and South East Asia, and the Port of Halifax is a gateway port for Canada and North America.



## One Year Extension of GSP and ATPA Signed Into Law

On December 28, 2009, the President signed into law H.R. 4284, a bill which extends the Generalized System of Preferences and Trade Preference Act/Andean Trade Promotion and Drug Eradication Act (ATPA/ATPDEA) one year beyond the date these programs were scheduled to expire. (H.R. 4284 was passed by the House on December 14, 2009 and by the Senate on December 22, 2009.)

H.R. 4284 extends GSP and ATPA/ATPDEA, without change, through December 31, 2010. For ATPA/ATPDEA, the extension applies to Colombia, Ecuador, and Peru, the ATPDEA regional fabric tariff preference level (TPL), and the ATPDEA brassiere provision. H.R. 4284 also extends through December 31, 2010 authority for the President to take certain bilateral emergency tariff actions with respect to ATPDEA apparel. In addition, H.R. 4284 moves up the deadline for a report on ATPA/ATPDEA, including compliance with eligibility criteria, to June 30, 2010 (from April 30, 2011).

This is good news for U.S. importers of products eligible for GSP and ATPA benefits since the products will continue to enter duty free without interruption.

The simple one-year extension of GSP and ATPA sets the stage for what could be a more comprehensive review and reform of U.S. trade preference programs in 2010. Sen. Charles Grassley, R-Iowa, has been a particular proponent of updating the product and country coverage of these programs, and 2010 will be his last year as ranking member of the Senate Finance Committee, which oversees trade policy. In addition, House Ways and Means Trade Subcommittee Chairman Sander Levin, D-Mich., reportedly said this week that he intends to undertake a broader overhaul of preference programs next year.

## Carrier News



- **China Southern Airlines**, the largest airline by fleet size in the country, has added two Boeing 777 jets to expand its services to Europe and the U.S. – increasing the airline's capacity by 92%. The jets will fly two new routes: Shanghai to Frankfurt and Shanghai to Chicago. Frankfurt is an important European destination as 43% of exports from Europe and 21% of imports from Chicago pass through Frankfurt. Chicago is also a key city since the cargo volume on the Shanghai to Chicago route accounts for 30% of the total cargo volume departing from the Chinese city.

It has also been reported that the carrier will introduce four more Boeing 777s by 2011, increasing the size of its cargo fleet to eight aircraft, including two B747 jets.

## Cathay Pacific Increases Capacity to Milan and North America

Cathay Pacific Airways announced that it will launch a scheduled passenger service between Hong Kong and Milan, Italy's principal business and finance center and a world-renowned capital for design and fashion, on March 28, 2010. The latest addition to the network highlights the airline's commitment to the Italian market and its ongoing work to strengthen Hong Kong's position as one of the world's leading international aviation hubs.

The new four-times-weekly service will be operated by a Boeing 777-300ER ultra-long-haul aircraft featuring Cathay Pacific's acclaimed three-class inflight product. The new service will increase the airline's presence in Europe and provide passengers with greater flexibility for travel between Italy and Hong Kong and to other destinations in Asia and Australasia.

Cathay Pacific began flying to Italy in April 1986 when it launched a service to the capital city, Rome. The airline currently operates a daily passenger service to Rome and a six-times-weekly freighter service to Milan, and will offer a total of 11 passenger flights to and from Italy each week when Milan launches as a passenger destination. The city will become the 47th online destination in Cathay Pacific's passenger network.

In addition to the launch of the Milan service, Cathay Pacific will also be further strengthening its services to and from North America. From March 28, three flights a week will be added to the existing daily service to Toronto. The additional services will depart Hong Kong every Wednesday, Friday and Sunday while the existing daily flights will depart from Hong Kong.

The airline is also adding three flights per week to Los Angeles from May 1, increasing the frequency to 17 each week. The extra flights will depart Hong Kong every Monday, Thursday and Saturday afternoon. In addition, with effect from March 28, one of the two daily flights to San Francisco will be retimed to depart in the late evening from Hong Kong, giving passengers a choice of daytime or nighttime departures.

## KWE Receives 2009 Quest for Quality Award

*Logistics Management (LM)* magazine has once again honored Kintetsu World Express with their "Quest for Quality" Award for 2009. LM recognizes the leading companies in the freight forwarding industry through presentation of this annual award.

For a quarter century now the transportation and logistics industry has regarded *LM's* "Quest for Quality" Award as the most important measure of customer satisfaction and performance excellence in the logistics industry.

KWE is honored to be recognized not only by *Logistics Management* but also by its customers as one of the "Best of the Best" in the increasingly competitive arena of freight forwarding.



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

WESTBOUND (from USA to Asian destinations)				
	January 01 through March 31, 2010			
	20' dry	other dry	20' reefer	other reefer
<b>BAF – West Coast</b>	402	503	566	708
<b>BAF – East Coast</b>	799	999	1064	1330
<b>IFC – Pure truck</b>	58	58	58	58
<b>IFC – Truck/Rail</b>	200	200	200	200
EASTBOUND (from Asian origins to USA)				
	January 01 through March 31, 2010			
	per 20'	per 40'	per 40HQ	per 45'
<b>BAF – West Coast</b>	278	348	392	441
<b>BAF – East Coast</b>	551	689	775	872
<b>IFC-Truck</b>	58	58	58	58
<b>IFC-RIPI</b>	100	100	100	100
<b>IFC-IPI</b>	200	200	200	200

## Holiday Schedule – January 2010

18 January

Martin Luther King Day - USA

KWE Offices Open



*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.*

