

Industry Update

July 2008



Inside This Issue

- 1 **KWE Introduces Singapore-Bintan Service**
- 2 **US Confirms Anti-dumping Duties on Chinese Steel**
- 3 **KWE Dusseldorf Expands Warehouse Capacities**
- 4 **KWE Canada Handles "Jigs" Project**
- 4 **Open-Skies Agreement for Canada and the European Union**
- 4 **Beijing Opens New Airport Terminal for Olympics**
- 5 **AES Mandatory Filing Rule Finally to Be Implemented in September 2008**
- 6 **New Bill Seeks Standards for Container Security**
- 7 **Strikes Threaten Europe Supply Chain**
- 8 **IATA's 11 New E-freight Locations**
- 8 **US-Midwest Flooding Devastates Freight Operations**
- 9 **Carrier News**
- 9 **Incheon Airport Opens Third Runway**
- 10 **Holidays**

KWE to Introduce Singapore-Bintan Service

KWE Singapore has commenced the first freight forwarding service between Singapore and Bintan (Indonesia). This is the first such service offered by a Japanese controlled freight forwarding company that uses an exclusively chartered vessel.

Bintan, one of Indonesia's many islands and located approximately 46km south-east of Singapore, is known as both a resort destination and bauxite production area.

In addition, its industrial zone is the home of almost 20 plants specializing in electronic components and textile manufactures owned and operated by Japanese, Singaporean and Indonesian companies. Accordingly, a large volume of materials and semi-finished products are transported between Singapore and Bintan.

Prior to the commencement of this service, freight forwarding to Bintan was exclusively performed by locally operated shipping companies. However, given the demand in recent years from customers for reduced shipping times, reductions in cost and improvements in service quality, KWE Singapore decided to commence this exclusively chartered vessel service.

Outlined below are the details and features of this new service:

- Freight forwarding routes:
 - Import of freight from Singapore Changi International Airport to Bintan.
 - Export of Bintan's locally produced products to countries throughout the world via Singapore Changi International Airport.
 - Freight forwarding between Singapore and Bintan.
- Exclusive vessel charter based on a contract between KWE Singapore and a locally operated shipping company.

Continued on Page 2...

Continued from Page 1...

- Reduction in shipping times

- Bound for Bintan : A reduction in shipping time of between a half to a full day

Presently: The fastest delivery time is the next day or the morning of the following day from the day of receipt of a request for freight forwarding.

New KWE Service: The fastest delivery time is the morning following the day of receipt of a request for freight forwarding

- Shipped from Bintan : A reduction in shipping time of approximately half a day

Presently: The fastest arrival time at Singapore Changi International Airport is the morning following the day of receipt of a request for freight forwarding.

New KWE Service: The fastest arrival time at Singapore Changi International Airport is the evening on which a request for freight forwarding is received.

- Our exclusively chartered vessel makes a round trip everyday between Singapore and Bintan from Monday through Saturday.

- Loading and unloading operations of the chartered vessel are only performed by KWE Singapore. This ensures that the service provided is of the high quality demanded of all companies within the KWE group.

In the future, KWE Singapore will continue to increase sales of this new service by appealing to existing companies in Bintan as well as those who will establish sites on the island. KWE Singapore will continue to increase the size of the vessel that it exclusively charters to meet the future expected demand in the volume of cargo shipped.



US Confirms Anti-dumping Duties on Chinese Steel

The United States International Trade Commission has approved an earlier decision to slap high anti-dumping and anti-subsidy tariffs on imports of some steel products from China.

The USITC determined that the domestic industry is "materially injured" by imports of circular welded carbon-quality steel pipes from China. This decision confirms an earlier decision by the Commerce Department that these products were subsidized and sold at a price lower than fair value.

Following the USITC's ruling, Commerce will issue countervailing and anti-dumping duty orders on imports, mainly used in heating and air-conditioning systems.

The highest anti-subsidy duties to be implemented will be set at above 615 percent on steel pipes from Tianjin Shuangjie Pipe Group, making them among the highest duties ever imposed on any Chinese product, according to Commerce.

Chinese companies and industry analysts criticized the ruling as unjust, saying Beijing had long ago stopped providing subsidies to steel companies.



KWE Dusseldorf Expands Warehouse Capacities

KWE Dusseldorf is situated in the center of the Rhine-Ruhr industrial area in the state of North-Rhine-Westfalia (Germany). This area, close to the Dutch border to the west, is one of the prime regions for industrial investment in Europe. It is here where KWE has its "Distribution Center Dusseldorf" (DCD). DCD has recently expanded its warehouse capacity to 8,500 sq meters (91,494 sq ft.). From this strategically located site, KWEDCD provides complete ocean, air, warehousing and logistics service to customers in the automotive industry as well as medical, steel and electronics. KWEDCD provides these services our certified ISO 9001:2000 quality system, meeting internationally recognized standards of quality.

At its strategic location near the Dusseldorf International Airport, KWEDCD also offers bonded warehousing, providing the following: pick and pack (bonded/non-bonded), cross-dock operation, production & assembly, quality control and trans-loading of air and ocean freight.



ULD pallets



Vendor to Vendor



Profile Steel

A wide range of services is available at KWE DCD. In addition to standard logistics operations such as bonded/non-bonded warehousing, inventory / order management and commissioning, KWEDCD provides tailor-made solutions for customer-specific requirements. One such solutions set has been developed for the automotive industry, serving direct suppliers and their sub-suppliers' for Just-In-Time deliveries, repacking into KLT and GLT (=returnable boxes) with proprietary bar-code labelling (ODETTE or VDA 4902), and components function testing (e. g. navigation systems) prior to dispatch.

In addition to the above, KWE's "Value Added Services" for the automotive industry include piston-ring assembly (installation of pins and rings) as well as correct assembly and assembly completeness quality control, based upon customer requirements and specifications. Complementing and supporting these services, KWEDCD facilities offer the following:



Quality Check



Assembly Machine



PDI area (pre-delivery inspection)

8,500 sq meter (91,494 sq ft) Bonded Warehouse

- Pallet shelf system for 3,650 euro-pallets (2,600 sq meter; 27,986 sq ft)
- Small parts shelving, 644 compartments (151 sq meter; 1,614 sq ft)
- Block Stacking storage, including heavy loads (2,100 sq meter; 22,604 sq ft)
- Production area with piston assembly-machine (1,350 sq meter; 14,531 sq ft)
- Cross-Dock-Operation area (2,300 sq meter; 24,758 sq ft)

KWE Canada Handles "Jigs" Project

KWE Canada's Vancouver Terminal successfully arranged a project shipment destined to Mexico. The shipment was a "Jig" used to manufacture Lear Jet wings. The total project consisted of four step-deck flatbed trucks, one 40' open top container and two 40' flat rack containers. Projects of this kind require meticulous planning and coordination, and KWE logistics services exceeded customer expectations in the delivery of the custom assembly jig.



Open-Skies Agreement for Canada and the European Union

Canada's Minister of Transport, Infrastructure and Communities says considerable progress has been made in the negotiations towards establishing an Open Skies-type air transport agreement between Canada and the European Union (EU).

Canada remains strongly committed to the completion of a comprehensive Open Skies agreement with the European Union. The basis for such an agreement, to be consistent with current Canadian policy and legislation, appears to be within reach. Successful negotiations would EU carriers to fly from any point in the EU to any point in Canada. An agreement would also ensure that a level-playing field exists for market access to Canada for all EU Member State airlines.

Significant work has already been completed, which has involved compromise on both sides. Three rounds of negotiations have taken place since the last Canada-EU Summit in June 2007. It was there that Canadian Prime Minister Stephen Harper, the German Chancellor and then EU president Angela Merkel, as well as the president of the European Commission José Manuel Barroso, agreed to launch formal negotiations toward a comprehensive air services agreement between Canada and the European Community and its Member States.

Beijing Opens New Airport Terminal for Olympics

Beijing has opened a huge new \$3.6 billion airport terminal ahead of the expected influx of millions of visitors to this summer's Olympics. This project is part of a multi-billion infrastructure boost for the capital.

So far the new terminal has avoided problems such as those that marred the opening of London Heathrow's Terminal 5. The new terminal's nearly 3-km (2-mile) long concourse is divided into three sections and connected by a shuttle train. The new terminal will boost capacity at the airport to 76 million passengers compared with the 52 million who used the airport last year.

The government is also busy opening new subway lines and roads, as part of a \$40 billion project to revamp and modernize Beijing in preparation for the Olympics.

The new airport terminal is designed to resemble a dragon, complete with triangular windows cut into the ceiling as though they were scales. It was designed by British architect Norman Foster, who also designed Hong Kong's Chep Lap Kok airport.

AES Mandatory Filing Rule Finally to Be Implemented in September 2008

After more than three years of delay, the U.S. Census Bureau has finally announced that its proposed rule mandating use of the Automated Export System (AES) as the only method of submitting export information to U.S. Customs for all commodities **will become effective 2 July 2008, but will not be implemented until 30 September 2008.**

When the rule finally does become law, U.S. export regulations will change significantly.

First, use of the yellow paper Shipper's Export Declaration (SED), Form 7525-V – for years the medium used to declare export information to U.S. Customs and the U.S. Census Bureau -- will be abolished. Consequently, a signed, completed copy of the SED form no longer will serve as a valid type of authorization from an exporter to a forwarding agent, as it does now (see <http://www.census.gov/foreign-trade/regulations/fedregnotices/fedreg-02172005.pdf> on the Web site of U.S. Census Bureau regarding this matter).

Second, any required filing of export information must be submitted to AES -- **and be verified as accepted** -- within the following time frames:

- **for air cargo** -- at least two hours prior to departure from the port of export
- **for truck cargo** -- at least one hour prior to crossing the border
- **for rail cargo** -- at least two hours prior to arrival at the border
- **for ocean cargo** -- at least twenty-four hours prior to departure from the U.S. port where cargo is laden (this requirement already is effective for ocean cargo)

[Note: filing times for material on the United States Munitions List (USML) will remain unchanged]

Third, use of the External Transaction Number (XTN) – the number that usually consists of the filer's Employer Identification Number (EIN) and a shipment reference number -- will be eliminated.

Fourth, only four types of filing citations will be permitted to appear on an air waybill, a bill of lading, and a consolidation manifest:

an Internal Transaction Number (ITN) – a fifteen-character number that always begins with the letter 'X' – confirming that AES has accepted and approved a filing
a Post-departure (Option 4) exemption legend
an exemption statement, such as NOEEI 30.37(a), indicating that the material shipped is exempted from being declared to U.S. Customs a downtime filing citation to indicate that AES and AES Direct are not in service

No carrier will accept a shipment for carriage from any service provider unless a proper filing citation -- **from among those listed above** -- is visible on the air waybill, bill of lading, and consolidation manifest.

For all of KWE's many valued customers for whom we now file export information in AES, we ask for your help. To ensure that both our customers and KWE are prepared to meet these new requirements, kindly allow us to make the following recommendations:

- for each shipment, provide KWE with complete and accurate export information to be filed in AES
- maintain documentation to support the export information that you provide to KWE
- provide export information to KWE sooner than you do now, if current business practices may jeopardize specified times for filing and acceptance
- consider filing export information in AES yourself, if current business practices cannot be altered to comply with specified times for filing and acceptance

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Finally, if you have not done so already, provide KWE with evidence of authority to act as your forwarding agent by furnishing:

- a signed, original power of attorney form -- only once, or
- a signed, original written authorization form -- only once, or
- a signed, completed Shipper's Letter of Instructions (SLI) – for each shipment

Sample copies of the above-mentioned documents are available on KWE's Web site at <http://www.kweusa.com/etools/>. Please note that, without official authorization to act as your forwarding agent, and without complete and accurate export information to be filed in AES, KWE will be unable to arrange export of your shipment to its destination.

With mutual cooperation and commitment, both your company and ours will surely succeed in complying with these forthcoming regulations.

If you have questions about this article, or would like further information about this topic, please contact Bob Feke from the KWE/UHQ Operations Department for assistance at TEL.: 440.826.1938, or via e-mail at robert.feke@am.kwe.com.

New Bill Seeks Standards for Container Security

A new Senate bill is seeking to increase port security by establishing minimum security standards for all containers entering the United States.

The Port Authority Implementation Act of 2008 (S. 3174) was presented at a media conference at the Port of New York and New Jersey by co-authors Sens. Frank Lautenberg and Robert Menendez of New Jersey.

The legislation follows a Senate hearing chaired by Lautenberg during which federal officials said they would be unable to meet a 2012 deadline to scan all containers coming into U.S. ports.

The bill would require cargo to be monitored from the time it is loading into containers until it reaches the United States. Containers that do not meet the new standards would be refused entry.

The bill also calls for:

- Minimum security standards for essential port services such as supply and launch vessels, and bunker and fuel deliveries;
- Each of the nation's port regions to have a response and recovery plan in case of a major terrorist incident or emergency;
- The ability for law enforcement officials to confiscate a fraudulent or altered Transportation Workers Identification Credential;
- New standards to more accurately determine port security risks and identify funding needs. The standards would update a 2006 bill authored by Lautenberg requiring all port security grants to be awarded based on risk.

The bill also incorporates recommendations of a 2006 port and supply chain security task force led by Port Authority Chairman Anthony R. Coscia, who appeared at Monday's presentation.

The bill is co-sponsored by Democratic Sens. Charles Schumer and Hillary Rodham Clinton of New York.



Strikes Threaten Europe Supply Chain

Large portions of Europe's supply chain face chaotic conditions over the coming week as truckers, rail workers and longshoremen stage strikes to protest soaring fuel prices, wages and pensions.

Spain, Portugal and France are bearing the brunt of strikes but there are fears that transport workers in other countries will join in the protests to put pressure on governments to introduce measures to ease the impact of rising diesel prices. Truckers in Bulgaria have staged highway blockades and Italian truckers have warned that they, too, will strike over high fuel prices.

Supermarkets across Spain are running out of supplies and factories are closing after a four-day strike by truckers to protest rising fuel prices and low freight rates.

Portuguese truckers have also been on strike, causing a fuel shortage at Lisbon airport. The strikers lifted their roadblocks after their union reached a deal with the government over assistance for rising fuel prices, but the situation remains tense.

The striking truckers are mostly owner-operators or those who work for small and medium-size companies. Rising fuel prices have squeezed the industry's wafer-thin margins, prompting fears of mass bankruptcies.

France's biggest port, Marseilles, was blockaded by striking dockworkers, creating a jam of around 60 vessels, mainly tankers and some container ships, which were waiting to unload their cargoes.

The United Kingdom is bracing for fuel shortages as last-ditch talks aimed at averting a four-day strike by hundreds of fuel tanker drivers over a new contract broke down Thursday afternoon. The government has said some gas stations likely will run out of fuel.

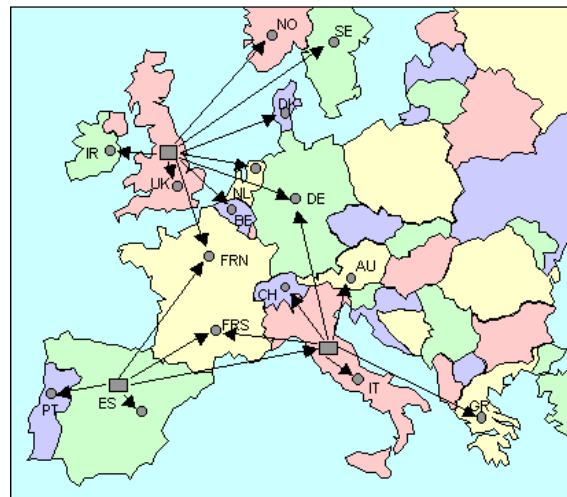
Meanwhile, hundreds of owner-operators are threatening to block roads unless the government takes action to ease the impact of diesel prices which have risen nearly 40 percent since January.

The Spanish government has reached agreement with unions representing around 88 percent of Spain's truck drivers by offering tax breaks and emergency loans to offset higher fuel prices. Police have opened border crossings with France and cleared drivers' blockades from the main highways.

But militant drivers, representing 12 percent of Spanish trucking, who are still on strike are demanding minimum freight rates before they return to work. The government has refused, saying this will weaken competition and contravene European Union regulations.

France faces transport gridlock next week as dockworkers at seven top ports, including Marseilles and Le Havre, plan to strike on Tuesday and Wednesday, escalating a two-month campaign of weekly 24-hour stoppages and overtime bans to protest government plans to privatize container handling.

Workers at SNCF, the state-owned railway, and Air France, also will take part in a 24-hour general strike to protest planned government changes to France's 35-hour work week and pensions for public employees. Unions at SNCF also are planning further stoppages in protest at plans to restructure the company's unprofitable freight unit.



IATA's 11 New E-freight Locations



The International Air Transport Association (IATA) has announced that 11 new locations have been identified as ready for e-freight. These are: USA, Dubai, Luxembourg, France, Spain, Australia, New Zealand, Switzerland, Iceland, Denmark and Norway. Five of the 11 new locations will be selected to launch e-freight in 2008 with the remaining targeted for launch in 2009.

IATA E-freight is one of six "Simplifying the Business" projects being led by IATA to improve service and cut costs. E-Freight requires that business, technical and legal framework is in place to allow airlines, freight forwarders, customs administrations and governments to seamlessly exchange electronic information and e-documents replacing paper documentation.

Since 2007, e-freight has been operational in six locations: Canada, Sweden, UK, Hong Kong, Singapore and the Netherlands. Three additional countries, Germany, Mauritius and South Korea, have launched projects to go live within 2008.

US - Midwest Flooding Devastates Freight Operations

Flood damage to Midwest freight operations continued to spread even as storms eased up in recent days.



The Army Corps of Engineers has closed 14 upper Mississippi River locks to barging, covering 315 river-miles. Meanwhile, truckers find many secondary highways still closed in the region, causing long detours around flood zones or lost business from area shippers. The floods also decimated the rail network there.

Although flood waters were receding from the streets of Cedar Rapids, a major commercial center for Iowa, as well as in Iowa City, authorities braced for a new wave of damage in the state's southeastern corner as flood crests moved on Keokuk.

For trucking, earlier closures were lifted from parts of east-west Interstate 80 in Iowa, but numerous state highways across the state as well as some interstate ramps remained closed. New flooding closed highway bridges crossing the Mississippi River at Burlington and Fort Madison, and curtailed bridge traffic at Keokuk.

Farther south, Norfolk Southern Railway has shut down operations in the area of Hannibal, Mo., and levee breaks have flooded some parts of Illinois.

It said while railroads have already repaired some flood-damaged track, numerous washouts are visible while others are still hidden by remaining high water.

Total rail damage for that state is expected to top that suffered during the Midwest floods of 1993.

Carrier News

- **Hainan Airlines** touches down with non-stop Seattle-Beijing service. Hainan airline, the largest Chinese carrier not owned by the government, will operate the flight four times a week.

At the same time Hainan Airlines is joining with the Yunnan local government in southwestern China to launch **Yunnan Airline**, which will be comprised mainly of the assets of **Lucky Air**, an HNA subsidiary launched in 2006 that did not meet expectations.



Lucky Air's six 737-700s will be operated by the new Yunnan Airline, which will aim to expand to a fleet of more than 30 aircraft within three years.

- **China Eastern Airlines** will cut flights to Asian, European, African and American destinations due to rising costs. **China Southern Airlines** will cut flights from Guangzhou to Ho Chi Minh City, Hanoi, Angkor, Hong Kong, Seoul and Singapore for the months of June, July, August and September. Flights to Seoul, Los Angeles, Paris, Sydney, Jakarta, Lagos, Dubai, Delhi, Fukuoka and Penang will be cut as well.

- The completion of air services talks between India and Germany has seen the number of weekly flights that can be operated increase from 50 to 69. The agreement allows **Lufthansa** to increase frequencies to both Mumbai and Kolkata. Lufthansa will soon operate daily flights to/from Kolkata compared to five times a week at present. Similarly, between Munich and Mumbai the airline will offer a daily connection, a route on which the airline currently operates three times a week.



- Effective on July 1st, **Emirates SkyCargo** will launch six direct Guangzhou-Dubai services a week. The cargo arm of Emirates Airline already offers nearly 3,000 tonnes of belly-hold and freighter cargo capacity a week through its double daily services to Beijing and Shanghai and 11 weekly flights to Hong Kong. It also operates eight dedicated freighter services to Shanghai and 15 to Hong Kong. The new Guangzhou service will provide Chinese shippers with an additional 80-plus tonnes of weekly belly-hold cargo capacity in each direction.

Incheon Airport Opens Third Runway

Incheon International Airport, Korea's main airfield, opened its third runway on June 20, 2008. The 4,000-meter-long third runway is one of 20 in the world that can accommodate such super-heavy planes as the Airbus 380, while the two existing runways measuring 3,750 meters long allow the takeoff and landing of all other types of aircraft.

The expansion boosts the passenger capacity at the airport, the gateway to Asia's fourth-largest economy, by 47 percent and the cargo-handling capacity 67 percent.

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 **July 01 – July 31, 2008**.

EBAF:

	Eastbound (to USA)	Westbound (from USA)
20' container	USD1200.00	USD1200.00
40' container	USD1500.00	USD1500.00
40'HQ container	USD1688.00	USD1500.00
45' container	USD1875.00	USD1500.00

IFC:

Inland transported by truck: \$150 per container

Inland transported by truck and rail combination: \$600 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 – July 2008

4	July	Independence Day – United States
15	July	Assumption Day – Germany

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