

Industry Update

June 2008



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DG Restrictions in China Ports During Olympics

To ensure the safety of DG cargo operations at Chinese ports during the Beijing Olympic Games, the Port Administration Bureau of several regions have announced restrictions on acceptance and handing of dangerous goods :

1: Shanghai Port

The following goods will be prohibited at the Shanghai port (both import and export) from July 18 to Aug 25 :

- Explosives – class 1
- Acetone- class 3 UN1090, UN1091
- Organic peroxides- class 5.2
- Toxics – class 6.1
- Radioactive material – class 7
- Hydrogen peroxides – class 8 with 5.1 subclass UN2014, UN2015
- Sulphuric acid - class 8 UN1830, UN1831, UN1832, UN2796
- Nitric acid –class 8 UN2031, UN2032,
- Hydrochloric acid – class 8 UN1789
- Ammonium nitrate and related fertilizers – UN2067, UN2071, UN3375, UN2426...etc

The port administration bureau will strengthen the security inspection to avoid any trouble and there will be severe consequences for filing false reports, concealment of prohibited cargo, and other similar actions.

2: Nanjin/Ningbo Port

There are no specific DG cargo prohibition/affected list.

3: Qingdao/Dalian

No official notice has been announced, but the commodity and customs inspection has been strengthened after May 8 , which has caused tight space and long delay at the inspection site.

4: Xingang/Beijing

Xingang port's DG cargo operation is expected to be affected, but no official notice has been announced by local customs or port bureau. For now, there is an embargo DG cargo list for Air freight only.

KWE Indonesia Receives Excellence Awards

During their April 24, 2008 annual Forwarder dinner, Lufthansa awarded to KWE Indonesia a "Certificate of Excellence, 2007" (ranking among the top 10 forwarders in Indonesia) and a "Gold Award, 2007" (highest award among the top 10 forwarders).



Rising Fuel Costs Harm Domestic Freight Segment

U.S. - With rising jet fuel prices, airlines are hunting for more ways to compensate for their growing fuel bills. The squeeze is especially tight on the domestic side, with the flat economy and stricter security concerns driving more freight off aircraft.

Bearing the true brunt of the costs, however, are shippers, who are left with fewer and costlier options as carriers cut services and ring up surcharges. Air cargo trucking services are coming under financial duress as diesel fuel costs continue their steep climb as well.

The price of jet fuel hit a new record at the end of March, reaching \$3.455 per gallon in New York, about twice what it cost about a year ago, according to the U.S. Energy Information Administration. After rising 10 cents per gallon from January to February, jet fuel prices soared another 69 cents in one month. During March, one cargo airline, Cargolux, raised its fuel surcharge every week.

Prices around the world are climbing almost as quickly as in New York. In Los Angeles, the price of jet fuel climbed from \$2.767 in February to \$3.182 on March 28. On the U.S. Gulf Coast, jet fuel prices increased from \$2.728 in February to \$3.137 on March 28. Outside the United States, Rotterdam reported selling jet fuel for \$3.151 on March 28, up from \$2.808 in February. In Singapore, the cost was \$3.10 on the 28th, up from \$2.643 in February.

The Air Transport Association, which represents major U.S. airlines, estimates that U.S. carriers will spend an additional record-setting \$14 billion on fuel this year.



GAO Report Says C-TPAT Needs Improvement



Customs and Border Protection has taken steps to improve the Customs-Trade Partnership Against Terrorism, but a Government Accountability Office report identifies weaknesses in validation and record management that the agency should improve. The report, a draft of which was provided by the Senate Homeland Security and Government Affairs Committee, is a follow-up to a critical report that GAO published in 1995.

The congressional watchdog found that since 2005, Customs has strengthened its policies for granting C-TPAT benefits for importers, but has not found comparable benefits to reward carriers, intermediaries and others in the program.

The SAFE Port Act codified C-TPAT for the first time. Congress ordered Customs to find a way to make validations more uniform. Customs developed software that validation teams can carry on a notebook computer. The GAO found a flaw in the program's structure that could cause problems in validating some companies.

The GAO also found weaknesses in the C-TPAT records management system that could weaken Customs' ability to verify a member's security improvements that the agency ordered during validation. Finally, the GAO reported that Customs has not developed performance measures to assess the effectiveness of C-TPAT to improve supply chain security.

New Bengaluru International Airport in India

The new Bengaluru International Airport at Devanahali (Bangalore area) has started operation, with formal opening on May 24. Located 35km (22 miles) from Bangalore, the new airport replaces the old HAL Bangalore International Airport.

International Airlines that will operate at BILA are Air Mauritius, Malaysia Airlines, Tiger Airways, Oman Air, Air France, British Airways, Air Arabia, Gulf Air, Dragon Air, Lufthansa, SriLankan Airlines, Thai Airways, Singapore Airlines, Air India, Kingfisher Airlines, Emirates, Indian, Quikjet, Etihad, Qatar Airways and Transmile. Domestic Airlines operating at BILA are Kingfisher Airlines, Jet Airways, Indian Airlines, Alliance Air, Go Air, JetLite, Indigo, Spice Jet, Paramount Airways, Air Deccan and Blue Dart.

Cargo handling and operations are located in a dedicated bay in the terminal apron designated for cargo aircraft. BILA features two separate cargo handling facilities / warehouses. The two cargo warehouses are designed to handle up to 350,000 tons of cargo annually. Menzies Aviation Bobba (B'lore) Pvt Ltd., and Air India SATS Airport Services Ltd were awarded contracts for cargo handling operations and customs air cargo processing. During the initial start-up phase at BIAL customs processing functions will be split between the old airport and BILA, which will add a level of complication and delay in air cargo processing, but that will be resolved as soon as the complete transition to BILA is complete.

The new airport was originally planned to accommodate 3.5 million passengers a year, but design changes will increase capacity to 12 million passengers annually. The redesign resulted in an increase in the size of the terminal, number of aircraft stands, new taxiway layouts and supporting infrastructure. The airport facilities also include a large retail centre, a multi cuisine food court area and an adventure play area / day care facilities for the children of passengers.

KWE will make every effort to closely coordinate and control import transactions to minimize processing delays, and avoid cargo handling irregularities. KWE will provide further updates as the transition to the new airport reaches completion.



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.

Japan Trade Surplus with U.S. Shrinks Again

Based upon preliminary April figures released by Japan's Finance Ministry, Japan's merchandise trade surplus with the United States shrank for the eighth consecutive month (on a year-on-year basis). This was due to the continued decline in exports amid a slowdown in the U.S. economy.



The figures, which are measured on a customs-cleared basis before adjustments for seasonal factors, show that Japan exported 1.217 trillion yen (\$11.8 billion) worth of goods to the U.S. in April. This was down 9.1% from the same month in 2007, and the eighth straight monthly decrease.

Meanwhile, imports from the U.S. totaled \$6.2 billion, down 6.7% from a year earlier, the second straight monthly decline. As a result, Japan's trade surplus with the U.S. narrowed 11.5% to \$5.6 billion.

The decline in Japanese exports was led by motorcycles, motors and auto parts, while the decline in imports was driven by aircraft, which fell 61.5% in value. Japan's overall trade surplus with the rest of the world in April contracted for the second consecutive month.

Overall exports totaled \$66.9 billion, a gain of 4% from a year earlier, and the 53rd consecutive monthly rise, while imports amounted to \$62.2 billion, up 11.9% on-year, the seventh straight monthly increase.

Tokyo's trade surplus was \$4.7 billion with the rest of the world in April, down 46.3% a year earlier, and the second consecutive monthly decline.

The growth in overall exports was led by automobiles and ships, while the increase in overall imports was led by crude oil, liquefied natural gas and coal.

WTO Says China More Restrictive on Exports

In an upcoming review of China's trade policies, the World Trade Organization reports that China has made its export regime "considerably more restrictive". This is believed to be in part the result of China's efforts to reduce its large trade surplus.

Some of these measures are being implemented to meet the country's international obligations now that it is a member of the WTO. However, many measures are also intended to cut exports of products that use large amounts of natural resources and energy or to reduce China's large trade surplus in order to reduce trade frictions.

In recent years China has been engaged in several high profile trade disputes with the US and the EU over items ranging from textiles, shoes to auto-parts.



South Korea Mulls Fuel Surcharge Increase

South Korea may raise air fuel surcharges and domestic power prices, adding further pressure to accelerating inflation, even as Asia's fourth-largest economy slows.

So far South Korea's efforts have been centered on softening the blow of oil prices for consumers by delaying utility price increases and cutting import tariffs to minimize the impact of soaring global food and energy prices.

The ministry official said Korean Air and Asiana had requested earlier in May that the government raise the maximum fuel surcharge they can impose on long-distance flights as oil prices continue their rush to fresh record highs.

Oil prices, which have quadrupled in the past five years and hit a record of just over USD\$135 last week, were trading at around USD\$128 on Wednesday. Oil prices have been rising inversely relative to the US dollar amid a fever of speculative trading and concerns over long-term supply. Primary contributing factors include China's and India's economic growth and increased consumption.

Currently Korean carriers charge USD\$140 in fuel surcharges for one-way long distance international flight, up from USD\$52 late last year. Airline shares were sharply higher on expectations of a rise in fuel surcharges, with shares in Korean Air and its rival Asiana both up.

Korean Air, which is also the world's largest air cargo operator, said this week it would suspend five routes with China between June and July, reduce traffic on other routes and keep cargo schedules flexible to minimize the impact of higher oil prices.



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Stricter rules for Philippine Second Hand Goods Importers

The Philippine Bureau of Customs (BOC) is issuing more stringent guidelines for importers of second-hand merchandise. The move is designed to curb the practice of declaring shipments as off quality to side step the correct payment of duties and taxes.

Based on Memorandum Order (CMO) 21-2008, all items classified as stocklots, sideruns, cull rolls, seconds, mill lots, off grade, B-grade, C-grade, used, second-hand off specs, substandard, off quality, overruns, sweepings, overflow, recycled, waste, reconditioned, refurbished, refashioned, surplus, scrap, scrap metals, metal waste, cut up, bath roll, odd lengths, and unbranded will be subjected to 100% inspection in the presence of technical experts.

Importers should also have a duly notarized manufacturer's or supplier's certificate of quality as to the actual condition of the articles, including the standard for the product being imported, and its deviation from such standards, which reduced its quality.

The manufacturer's certificate must be accompanied by the authentication of the commercial attaché or consulate of the country of origin to ensure that the supplier's certificate is legitimate.

WTO Calls on U.S. to Cut Trade Barriers

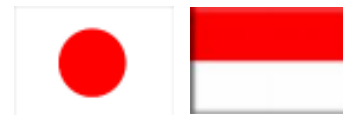
In its trade policy review the World Trade Organization advised that the United States should cut barriers to its markets to help it tackle economic turmoil, and boost its exports to deal with its current trade deficit

It is expected that further adjustment and reforms by the U.S. would lessen distortions in global markets and strengthen the global trading system. The U.S. has seen exports and imports continue to expand faster than the Gross Domestic Product over the past couple of years. In addition, foreigners' willingness to invest in the United States has been vital in generating large capital inflows to finance the current account deficit.

Although the United States is a strong supporter of the global trading system and a comprehensive deal in the long-running Doha round of talks, it has not fulfilled all its international obligations, the WTO said. These obligations include notifying the WTO about agricultural tariff quotas and government procurement statistics, as well as fully implementing WTO rulings on intellectual property rights and anti-dumping.



FTA Takes Effect Between Japan, Indonesia



A free trade agreement between Japan and Indonesia, which was signed in August last year, will take effect on July 1.

For Japan, it will be the sixth such accord to go into effect, after those with Singapore, Mexico, Malaysia, Chile and Thailand, the ministry said.

The Japan-Indonesia agreement will eliminate tariffs on about 92% of bilateral trade by value. Indonesia will immediately eliminate tariffs on Japanese steel products for use in such sectors as auto production and energy, while Japan will immediately remove tariffs on Indonesian forest products and shrimp and will expand imports from the Southeast Asian country of tropical fruits such as bananas and pineapples.

The deal between resource-poor Japan and resource-rich Indonesia also features an energy security partnership between them.

Indonesia is Japan's 11th-largest trading partner and biggest supplier of liquefied natural gas. Indonesia is also the only southeast Asian member of the Organization of Petroleum Exporting Countries (OPEC). Japan imports almost all of its oil and natural gas to fuel its economy, the world's second-largest.

U.S. Truck Tonnage Declines

Truck tonnage declined for the third consecutive month in April, revealing an economy that remains soft despite some positive indications. The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index declined 1.1% in April. But ATA revised its March reading to a 1.7% drop rather than the 3.2% decrease reported earlier.

The seasonally adjusted index was 2% higher than April 2007 and the revised March index was up 1.5% rather than down 0.1%. But an easy comparison with last year's soft market does not give this year's numbers much heft.

Carrier News

- **AirBridgeCargo Airlines** has launched non-stop services to Moscow from Shanghai and Hong Kong.

The airline will use recently-delivered extended range Boeing 747 freighters. AirBridgeCargo (ABC) is the first carrier to connect Shanghai and Hong Kong with Moscow by scheduled freighter service that promises fast delivery times and no handling in-transit.

From Moscow, ABC offers onward connections to Amsterdam, Frankfurt and Luxembourg. With Beijing in North China and Narita in Japan already connected with Moscow by non-stop scheduled services, ABC has now doubled its number of Asian origins offering non-stop flights to the Russian capital.



- **Lufthansa Cargo** is expanding its coverage in Asia. It is adding two weekly direct flights to Beijing and its MD-11F service from Frankfurt to Shanghai and Seoul will be non-stop for the first time. Lufthansa Cargo will have two new destinations in China. Beginning in April there will be five weekly flights from Frankfurt to Nanjing and the airline will add three weekly flights from Munich to Shenyang beginning in June. These latter routes will employ A340-300 passenger aircraft that have belly cargo capacity of 17 tonnes.

- The implementation of Revised IATA Published Rates ex-Malaysia was originally scheduled to be effective 01 Feb '08. **Malaysia Airlines** now officially states that this implementation has been postponed to 01 June 2008.

- **American Airlines** announced that it will discontinue service between London's Stansted Airport and New York's John F. Kennedy International Airport (JFK), with the last flight departing Stansted on July 2. The service was launched in October 2007. American Airlines will continue to offer its full schedule between London Heathrow and New York JFK.



This decision is among a number of first-round reductions to American's flight schedule as part of the airline's previously announced plans to reduce capacity in an effort to significantly reduce costs and create a more sustainable supply-and-demand balance in the marketplace. These actions come in the face of skyrocketing fuel prices and a softening economy.

- The **Qantas Group** today responded to continuing high fuel prices by announcing a range of cost saving measures including the cancellation of five per cent of Available Seat Kilometres (ASKs) – the equivalent of grounding six aircraft. The Chief Executive Officer of Qantas, Mr Geoff Dixon, said Qantas' fuel bill would increase by more than \$2 billion in 2008/09, representing around 35 per cent of the company's total expenditure.

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 **June 01 – June 30, 2008**.

EBAF:

	Eastbound (to USA)	Westbound (from USA)
20' container	USD 832.00	USD 832.00
40' container	USD 1040.00	USD 1040.00
40'HQ container	USD 1170.00	USD 1040.00
45' container	USD 1317.00	USD 1040.00

IFC:

Inland transported by truck: \$111 per container

Inland transported by truck and rail combination: \$385 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 – June 2008

2	June	June Public Holiday – Ireland, Italy
6	June	Memorial Day – Korea
9	June	Independence Day – Philippines
10	June	Dragon Boat Festival – China, Hong Kong
16	June	Youth Day – South Africa

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