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Inside This Issue

- 1 Pudong Airport IFTZ - The Logistics Center Hub for China and Asia-Pacific
- 2 Overview and Benefits of Pudong Airport IFTZ
- 3 KWE Italia Opens New Bonded Warehouse
- 3 Expansion for Qatar Airways
- 4 Cargo Screening Deadline Pushed
- 4 Hong Kong & New Zealand Eliminating Tariffs
- 5 Japan and India Sign FTA
- 5 CWTS Adopts a GRI Program
- 6 KWE FYI
- 7 Carrier News
- 8 BAF / IFC Charges
- 8 Holiday Schedule

Pudong Airport IFTZ The Logistics Center Hub for China and Asia-Pacific



Sixty-six (66) airlines currently serve the rapidly expanding Pudong International Airport (PVG), with routes spanning over one hundred (100) international and seventy-four (74) domestic destinations. Forty-four (44) of these airlines operate all-cargo flights, and with cargo volumes increasing at an annual rate over 20%, the airport is an ideal location for country level Logistics Centers and Asia-Pacific Regional Hubs.

The new Pudong Airport Integrated Free Trade Zone (PVG IFTZ) is a strategic trade development created to support activities related to trade and air cargo by providing the seamless integration of airport logistics and Free Trade Zone logistics under the same airport boundary. Located in the middle of Yangze Delta Logistics area, the site is well-positioned in the center of the golden coast of the East China Sea, with Waiggaoqiao FTZ 40km northwest and Yangshan FTZ 30km southeast. PVG IFTZ is easily accessible to the triangle air routes of Asia, Europe and America, making it the best strategic location for China to serve the world and vice versa.

After gaining State Council approval to set up in July 2009, the PVG IFTZ passed formal inspection by top management teams in April 2010, including 10 Ministries and Commissions such as the General Administration of Customs, the National Development and Reform Commission and the Ministry of Finance.

The Administration Commission (AC) of Shanghai FTZ was designated by State Government to be the responsible party in centralizing the governance of the development, implementation and operations of PVG IFTZ, WGQ FTZ and Yangshan FTZ. The goal is to achieve the synergy of '1+1+1>3' to facilitate trade and logistics functions in a more streamlined, seamless and cost effective manner.

Overview and Benefits of Pudong Airport Integrated FTZ

Unified Policy

The departments of customs, inspection and quarantine, foreign exchange, port service, AC, commerce and industry, taxation, and public security shall set up their offices or send officers into PVG IFTZ. Other relevant administrative departments shall regularly attend to official duties at worksite in PVG IFTZ led by AC, assisting the development of the enterprises in FTZ with concise procedures, transparency and integrated services between the 3 FTZs.

Unified Process

A vital process is the collaboration of customs systems so WGQ FTZ, PVG IFTZ and Yangshan FTZ are all utilizing H2000 and H-Book Customs Systems. This system facilitates the sharing of relevant information and electronic exchange between the enterprise and customs to achieve 'Paperless Clearance'. By taking advantage of electronic data interchange (EDI) across the 3 FTZs, the customs clearance process will become quicker, resulting in a more efficient cargo flow.

Goods subject to inspection that are sold or transferred within PVG IFTZ, WGQ FTZ and Yangshan FTZ are exempted from inspection and quarantine.

Shared Resources

Two separate buildings house the Service, Management and Business Centers. Every enterprise established in the Yangshan FTZ or WGQ FTZ may file with customs and set up branches in PVG IFTZ. Government related administrative offices and branches set up in the building to provide in-zone enterprises include customs, inspection and quarantine, industry and commerce, taxation, bank and post. Bonded equipment may also be shared within the 3 FTZs.

Expanded Functions

One of the most distinctive benefits of the PVG IFTZ is the ability to combine both FTZ and BLP (Bonded Logistics Park) functions. FTZ support services include international goods transit, procurement and distribution, entrepot trade, maintenance and testing, financing lease, warehousing and logistics, export processing, commodity exhibition trade, establishment of light manufacturing and assembly plant and tax rebates to local supplier after full export of shipment.

BLP is devoted to the logistics functions of procurement and distribution of goods and other bonded logistics services. BLP also has more preferential tax policies. Tax rebates occur immediately after entry to the park and foreign exchange management is more relaxed - the local enterprises purchase the goods from the park and can pay to the enterprises within the park or abroad to outside enterprises.

PVG IFTZ supports the services and functions offered in both FTZ & BLP. Enterprise can set up its logistics, distribution and trade functions in PVG IFTZ and its suppliers can enjoy tax refunds upon arrival of the supplies in PVG IFTZ.

Seamless Integration of Airport and DC Operations

The Pudong IFTZ is connected seamlessly to PVG International Airport, allowing a swift and safe transfer of import and export shipments across the airport and the DC warehouse.

As PVG IFTZ is formed as an integrated part of PVG Airport, shipments from IFTZ to PVG airport does not involve data transmission in Customs system for bonded shipment. Whereas Yangshan FTZ and WGQ FTZ, separate Customs zones, will requires bonded transfer of goods movement and data transmission. As the Customs system in China only allows data transmission twice for bonded shipments, the PVG IFTZ is able to support bonded air to other China cities more seamlessly than Yangshan and WGQ FTZs.

KWE's Involvement with the Implementation of Pudong IFTZ



- **Trusted Partner** – KWE was honored to be selected as a pilot run partner and now resides on the ground floor of the A6 Bldg which was reserved for KWE.
- **Customs Process** – KWE was involved in the "brain storming" sessions with Customs to establish new process
- **Voice of Customers** – KWE was able to share experiences and expectations fro our large corporate customers
- **Pilot U-Turn** – KWE successfully executed the first U-turn shipment into PVG airport IFTZ on July 28, 2010
- **Pilot Bonded Air** – KWE successfully executed "Bonded Air" PVG IFTZ to Chongqing EPZ

KWE ITALIA OPENS NEW BONDED WAREHOUSE



On July 01, 2010 KWE Italia was awarded with a 6 year contract for warehousing and 3PL activity by a multinational account involved in the high tech industry. In order to comply with their requirements, KWE Italia opened an 8.000 m² bonded warehouse in Magliano dei Marsi (Rome area).

Our customer is presently occupying 5,000m² including 2,000 m² of temperature controlled area, where we store chemical products. The remaining portion of the warehouse has been assigned to a leading Italian manufacturer of solar panels. An additional 2000 m² is expected to open soon in the same area as a result of demand for warehousing space in the market.

KWE Italia is also planning to open an additional 3,000m² bonded warehouse in Rieti (Rome area) aligning with our strategy to further implement the logistics activity on the Italian territory.

This new project will go live during Q1, 2011.



Expansion for Qatar Airways

On March 6th, Qatar Airways will newly launch thrice-weekly services to Stuttgart. Also, the airline has added two additional weekly flights to Frankfurt and four more to Munich. The carrier will be flying to Germany 33 times each week.

CEO Akbar Al Baker stated "By adding these extra flights, we are responding to strong demand for additional capacity on the Munich and Frankfurt routes. The strengthened services will foster new business and tourism links with the largest economy in the European Union."

Since February 2010, Qatar has launched 12 new routes including flights to Budapest, Tokyo, Barcelona, Sao Paulo, Buenos Aires, Phuket and Hanoi. The carrier is planning to expand aggressively in the next two years by adding 19 more destinations and more than 20 new aircrafts.

Cargo Screening Deadline Pushed Up

The Transportation Security Administration (TSA) has announced an accelerated deadline of Dec 31, 2011 for 100% cargo screening on all inbound U.S. international passenger flight.



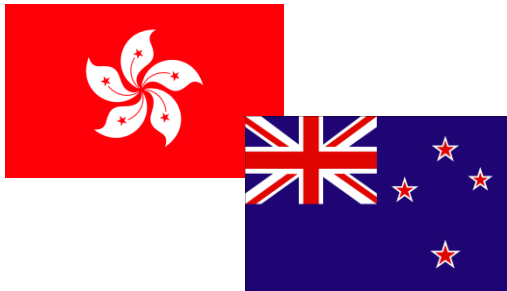
Last summer, TSA, testified before Congress that it would take until 2013 before an all-cargo screening policy on international passenger aircraft could be effectively put into place. However, in an e-mail to freight forwarders and shippers, the organization pointed to "recent global events" as justification for pushing the deadline up by a full two years.

This announcement will have an immediate effect on the air cargo industry beyond just the increased cost of screening more packages since it will require earlier cut-offs for cargo, reducing some of the expedited advantage of airfreight. The mandate could possibly provide further advantage to large forwarders and integrators over mid-size and small forwarders, and it may have more shippers considering ocean cargo as an alternative.

Though December is nearly a full year away, that still doesn't leave a lot of time for the myriad changes that need to be made before screening can be implemented. One of the largest hurdles will be coordinating security measures in origin countries, which involves making sure the TSA, airlines and each country are on the same page.

Many feel that the TSA requirement just may not be feasible. A percentage based on origin can be achieved by December, but not 100%— we're more likely looking within the 75% range. This is an important part of cargo and national security, but the TSA will have to move much faster than they have in the past with establishing rules and guidelines if they want to achieve 100 percent by this deadline.

Hong Kong & New Zealand Eliminating Tariffs



The New Zealand-Hong Kong, China Closer Economic Partnership Agreement (the "CEP") was signed in Hong Kong on March 29, 2010 and entered into effect on January 1, 2011.

Hong Kong is New Zealand's 9th largest export destination and the total bilateral merchandise trade between the two countries amounted to about HK\$6.5 billion (\$837 million) in the first nine months of 2010, with average annual growth rate of 2.7% from 2005 to 2009.

Based on the average merchandise trade figures in recent years, Hong Kong's annual tariff saving is estimated to be about HK\$7 million (USD\$900,900), according to the figures earlier released on the Hong Kong government's website.

Under the Closer Economic Partnership Agreement (CEP) signed in March, New Zealand will phase out its import tariffs on all goods originating in Hong Kong and all of Hong Kong's exports to New Zealand will be tariff-free within six years. More than 90% of New Zealand's tariff lines will become duty free within two years. Hong Kong has committed to cut all tariffs on products from New Zealand and remove 64% of export tariffs immediately after the CEP Agreement begins. This will cover certain electrical machinery and equipment, sound recording and reproducing apparatus and wooden items. The agreement also covers the six industries in which Hong Kong specializes and is promoting further development, namely education services, medical services, testing and certification services, environmental services, innovation and technology, and cultural and creative industries.

This deal will help New Zealand businesses boost trade with Hong Kong and take further advantage of growing opportunities in the region. The CEP also complements New Zealand's Free Trade Agreement (FTA) with China and enhances the potential for Hong Kong to be used as a platform for trade into Mainland China.

It contains measures to improve business flows and promote cooperation in a broad range of economic areas of mutual interest, and is supported by legally-binding side agreements on Labor and Environment that are in line with New Zealand's broader objectives for sustainable development. A legally-binding side agreement was also secured to negotiate an Investment Protocol within two years of entry into force.

Japan and India Sign FTA Hoping to Remove Trade Barriers

Japan and India have signed a free trade agreement to eliminate import tariffs on most products traded between the two giant Asian economies in hopes to "promote the liberalization and facilitation of trade and investment between the two countries" and "further vitalize both economies by strengthening reciprocal economic ties in wide-ranging fields," the Japanese government announced in a statement.

The FTA, formally called the Comprehensive Economic Partnership Agreement between Japan and the Republic of India, will be signed in Tokyo by Japanese Foreign Minister Seiji Maehara and Indian Commerce and Industry Minister Anand Sharma.



The signing comes after about four years of negotiations between the countries. The Japan-India FTA will eliminate import tariffs on about 94 percent of bilateral trade by value within 10 years. Although it has been noted that some of Japan's fiercely protected agricultural commodities, such as rice, wheat and some dairy products will be exempt from the tariff cut.

Under the pact, the two countries will continue discussions over whether to allow Indian nationals to work in Japan as nurses and caregivers as Japan's population continues to shrink and age. Regarding service trade, Delhi will relax its restrictions on Japanese investment in retailers and telecommunications.

Japan and India are now Asia's second- and third-largest economies after China. According to Japanese government figures, Japan exported \$7.2 billion worth of products to India and imported \$4.2 billion worth of goods from the South Asian country in 2009.

For Japan, the FTA with India will be the 12th such trade pact. Japan has so far signed FTAs with 10 countries -- Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, the Philippines, Switzerland and Vietnam -- and with the 10-member Association of Southeast Asian Nations.

ASEAN groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

For Japan, the FTA with India will be the first such trade pact since the Democratic Party of Japan took power following a landslide victory in general elections in August 2009.

CWTS A Adopts a GRI Program

Container shipping lines in the Canada Westbound Transpacific Stabilization Agreement (CWTS A) have adopted a GRI program effective April 1, 2011.

The Member Lines in the CWTS A will raise rates as per below from all Canadian origin ports and IPI points to all destinations:

Dry commodities

- 20' container (TEU) US\$160.00
- 40' container (FEU) US\$200.00

CWTS A also intends to implement rate increases for refrigerated commodities effective April 1, 2011 by US\$240.00 per 20' container and US\$300.00 per 40' container. These increases will apply from all Canadian origin ports and IPI points to all destinations.

CWTS A is a discussion forum of 8 major container shipping lines serving the trade from ports and inland points in Canada to destinations throughout Asia.

KWE FYI

KWE FYI is a section within our Industry Update featuring items and trends of interest relevant to transportation and logistics, global trade and future developments that may have impact in these areas



Ports Test New Technologies Hoping to Reduce Vessel Emissions



This spring 2011, an innovative air pollution-reduction device called the "seawater scrubber" will be tested for the first time on a container ship visiting Southern California in a \$3.4 million project co-sponsored by the ports of Los Angeles and Long Beach.

The seawater scrubber, supplied through a partnership between Bluefield Holdings Inc. and Krystallon, Ltd., features advanced emission control technology in which seawater is used to scrub, or filter, contaminants from a ship's auxiliary engines and boiler before exiting the exhaust stack of a ship. Once solid carbon contaminants have been removed, the seawater used during the scrubbing process is then treated and cleansed before being discharged. The solid contaminants are contained and collected for later disposal.

"The seawater scrubbing technology shows tremendous long-term potential for reducing emissions at our ports and improving the environment," said Port of Los Angeles Executive Director Geraldine Knatz, Ph.D. "We're excited about testing this innovative equipment and evaluating its promise for more widespread use."

"Many of the ocean carriers are looking for ways to reduce their vessels' emissions and projects like this are an ideal way to demonstrate the effectiveness of new technology to the industry," said Port of Long Beach Executive Director Richard D. Steinke.

Funded in part by a \$1.65 million grant from the Technology Advancement Program (TAP), a joint initiative of the ports of Los Angeles and Long Beach, the seawater scrubber filtering technology will be tested on an APL container vessel. As part of the three-year demonstration project, the scrubber technology on the APL test vessel will be evaluated over a one-year period during the ship's calls to the San Pedro Bay ports. It's expected to result in air emission reductions of approximately 80-85 percent in diesel particulate matter, 99.9 in sulfur oxide emissions, more than a 90 percent decrease in volatile organic compounds (VOC) and another 10 percent reduction in nitrogen oxide pollutants. Diesel particulate matter is classified in the state of California as a toxic air contaminant based upon its potential to cause health problems and cancer. Sulfur oxides, VOC and nitrogen oxides are gases that contribute to smog.

"APL has long engaged with industry, the public sector and academia in search of new ways to mitigate the environmental impacts of global trade," said Earl Agron, Vice President of Environmental Affairs at APL. "This latest effort with the ports of Los Angeles and Long Beach is in the same spirit of cooperation and discovery."

TAP was created as part of the San Pedro Bay Ports Clean Air Action Plan (CAAP), and focuses on accelerating the commercial availability of new clean air strategies to reduce air pollution. Jointly funded by the ports of Los Angeles and Long Beach, TAP has provided more than \$5 million in project funding since the program began in 2007. Recently, the U.S. Environmental Protection Agency bestowed the 2010 Clean Air Technologies Award to the ports for TAP.

Carrier News

New Emirates SkyCargo Trade Route Will Boost Iraq Business



Emirates SkyCargo - the freight division of Dubai-based airline Emirates - has added further momentum to the surge in trading through Iraq with the commencement of its new service to Basra which began on February 2.

As the country's recovery gathers pace following a period of sustained investment by major global corporations, Emirates SkyCargo will be transporting 130 tons of freight per week between Dubai and Iraq's largest port, strategically located close to key oil fields. In addition to transporting equipment for oil and petroleum companies in the belly-hold of an Airbus A330-200, it expects to carry a diverse range of goods from all corners of the globe, including perishable foodstuffs, medical products, car parts, garments, textiles and various electronic items such as mobile phones.

With many multinational companies committed to the redevelopment of Iraq's economy and infrastructure, the trading potential is very clear, Iraq's recovery is already well under way and this new trade route will create further opportunity for growth, with businesses now able to establish trade links with the UAE and the other 65 countries on the global network.

Basra will be the first route added to the Emirates network in 2011, becoming the airline's 110th international destination. Geneva and Copenhagen will follow on June 1st and August 1st respectively and as the airline's fleet of 152 aircraft grows after the delivery of several of the 200 aircraft it has on order, further route announcements are expected.

The service will operate in a three-class configuration - First Class, Business Class and Economy Class - on Wednesday, Thursday and Saturday and in a two-class configuration - Business Class and Economy Class - on Mondays. EK945 will depart Dubai at 13:45 hours and touch down at Basra International Airport at 14:45 hours the same day. At 16:15 hours, return flight EK 946 will depart Basra touching down in Dubai at 19:10 hours. The service connects seamlessly with key industry hubs in the US and Europe.

American Airlines Launches New Service to Haneda Airport

American Airlines (AA) has launched a daily service to Tokyo's Haneda Airport from New York's JFK Airport, the first U.S. airline to do so from the continental United States. The B777 passenger service follows an open skies agreement between the U.S. and Japan.

AA is now serving both Tokyo's Narita and Haneda airports from New York. The carrier expects to move consignments of flowers from South America as well as seafood from the east coast of the U.S. on the westbound trans-Pacific flight. In the return direction, auto parts and construction equipment are likely commodities, connecting through to AA's Latin American destinations such as Rio de Janeiro and Sao Paulo, Brazil.

Haneda re-started scheduled international flights for the first time in more than 30 years after the bilateral open-skies agreement, which was signed in October. The airport has seen a fivefold increase in cargo traffic since it opened a new international terminal and opened a fourth runway toward the end of last year.

A new temperature-controlled facility at Tokyo International Air Cargo Terminal (TIACT) enables the airport to export fish, fruit and other fresh produce.



"Our new flight opens important new daily trade lane opportunities for our customers, with connections throughout the United States and Latin America from Asia and new connections throughout Japan from Haneda"

Dave Brooks
President of American Airlines Cargo

Update: Bunker Adjustment Factor (BAF) and Inland Fuel Charge (IFC)

WESTBOUND (from USA to Asian destinations)				
	January 01 through March 31, 2011			
	20' dry	40'-45' dry	20' reefer	other reefer
BAF – West Coast	420	525	591	739
BAF – East Coast	834	1042	1110	1387
IFC – Pure truck	72	72	72	72
IFC – Truck/Rail	248	248	248	248
EASTBOUND (from Asian origins to USA)				
	January 01 through March 31, 2011			
	per 20'	per 40'	per 40HQ	per 45'
BAF – West Coast	294	368	414	466
BAF – East Coast	582	727	818	920
IFC-Truck	72	72	72	72
IFC-RIPI	124	124	124	124
IFC-IPI	248	248	248	248

March Holiday Schedule

17	St. Patrick's Day	All offices open
21	Human Rights Day – South Africa	Skeleton Staff

Correction

Please note that there was an error in the Beaujolais Nouveau wine article which was published in the January 2011 edition of the Industry Update – ***KWE transported 1,500,000 bottles of wine, not 1,500.00.***