

Industry Update

March 2008



Inside This Issue

- 1 [KWE South Africa Handles 3,845 Water Pipes](#)
- 2 [Fulfillment Service from KWE DMZ](#)
- 3 [New Strategic Goods Control List – Singapore](#)
- 3 [Cross-Border Truck Trips Down in 2007 - Canada](#)
- 4 [Report on Canada's Marine Security Initiatives](#)
- 4 [APL Launches New Guaranteed Service](#)
- 5 [Slowdown at Port of Tacoma](#)
- 6 [Hong Kong Airport Registers a Good Start to 2008](#)
- 6 [China to build 97 New Airports by 2020](#)
- 7 [Carrier News](#)
- 8 [Emergency Fuel Recovery Cost](#)
- 8 [Updates: EBAF & IFC](#)
- 8 [Holidays](#)

KWE South Africa Handles 3,845 Water Pipes

KWE South Africa is proud to have played a part in transporting 3,845 water pipes from Port Elizabeth to Eastern Cape, South Africa.

During 2007, our Port Elizabeth branch handled 96 x 6 m containers packed with a total of 3,845 water pipes over a period of two months. The pipes were cement lined and weighed 362 kg with length of 5.5 meters. Out of the 3,845 transported only one pipe sustained damaged during this cross-docking operation.

All containers were unloaded within the allowable time limit with the exception of two which had arrived delayed. The entire project was professionally handled by our Port Elizabeth branch and led by our staff member, Joey Dorfling with the help of 2 forklift drivers, 6 other employees and the trucking company. The pipes were cross-docked onto trucks which then delivered to Humansdorp and East London (both destinations in the Eastern Cape).

KWE is very proud of KWE South Africa's employees and appreciates the continued efforts to provide excellent service to our customers. Well done to the team in Port Elizabeth!



Fulfillment Service from KWE DMZ

KWE DMZ is a logistics warehouse providing distribution and fulfillment services targeted for small to large companies. Our clients enjoy the benefits of having their own distribution center or fulfillment center without capital investment.

Centrally located in the Long Beach, California area — only 7 miles from the port of Long Beach and 14.5 miles from Los Angeles International Airport, the location allows us exceptional shipping coverage whether it is small packages, LTL freight or truck loads. In addition to having a distribution center in a strategic location, our clients enjoy very affordable services while working with a company dedicated to providing exceptional customer service.

KWE DMZ helps companies take advantage of the opportunities created by globalization and outsourcing by offering third party logistic services, meaning that we do the leg work while our clients focus on their core business.



WAREHOUSE



SKIDS IN RACKS



BARCODE SCANNING



FORKLIFTS



REWORK



SMALL PARTS

KWE DMZ's 'Value Added Services' include pick and pack, bar-coding and labeling, repackaging, cross docking, inventory management, RF scanning and transloading. Our world class third party logistics services are supported by our warehouse management system. And nothing underscores the DMZ commitment more than our certified ISO 9001:2000 quality system; the internationally recognized standard of quality. DMZ offers the systems, experience and leadership to handle the toughest distribution needs.

KWE DMZ is capable of handling cargo of all sizes, volumes and types. Our warehouse is equipped with advanced security and monitoring systems, and is supported by CCTV surveillance, 24 hour monitoring station, 17 cameras and on site security guards.

The DMZ warehouse consists of 175,000 sq. ft., 150,000 of which is warehouse space. There are 30 dock high loading positions, including ground access, 32 foot ceilings and a large 135 foot by 720 foot concrete yard capable of storing 100 - 40 foot containers.

The DMZ distribution operation (40 people strong) is home to over 20 active accounts. DMZ has found ways to accommodate these accounts on a case by case basis that provides ultimate flexibility to our customers individual needs. DMZ handles a wide array of products such as high tech components, electronics, sporting goods, cosmetics, industrial products, toys and medical supplies.

KWE DMZ employees are proud of their distribution capabilities and they are committed to deliver the best and most innovative service to meet customers' needs.

New Strategic Goods Control List - Singapore

Singapore Customs have announced Implementation of a New Strategic Goods Control List which has taken effect from January 1, 2008.



Singapore shares the concerns of the international community on the proliferation of weapons of mass destruction. As a responsible trading nation, Singapore strives to do its part for global security by implementing safeguards against the illicit movement, through its ports, of items that could contribute to such proliferation. Since January 1, 2003, Singapore had put in place an enhanced system to regulate trade in strategic goods and strategic goods technology.

The Strategic Goods (Control) Act (SGCA) controls the transfer and brokering of strategic goods and related technology, as well as goods and technology capable of being used to develop, produce, operate, stockpile or acquire weapons capable of causing mass destruction, and missiles capable of delivering such weapons.

The new list has been published in the Gazette as the Strategic Goods (Control) Order 2007. A strategic goods permit is required prior to the export/re-export, trans shipment or bringing in transit of these goods.

Cross-Border Truck Trips Down in 2007 - Canada

According to the Ontario Trucking Association, the number of trucks crossing the border between Ontario, Canada and the US were down for the third straight year in 2007.



The 2007 numbers are the lowest since 1998, according to figures compiled by the Bridge and Tunnel Operator's Association. Combination of a high dollar, skyrocketing fuel cost, the ever-increasing thickening of the borders and slackening US demands are factors contributing to the drop.

Statistics showed that there were 8,049,136 truck trips across the Ontario/US border in 2007, down 2.6% compared to the year before. Even in 2001, the year of the Sept. 11 terrorist attacks in the US, cross-border truck traffic was higher than in 2007.

Many argue that the costs and difficulties of crossing the border are seriously undermining Ontario's ability to trade in the US market. Moreover, the wait times at the border have not improved despite the investment of millions of dollars by the trucking industry in new security measures supposedly designed to facilitate legitimate trade.

Report on Canada's Marine Security Initiatives

Transport Canada has released a report assessing the department's marine security initiatives over the five-year period of 2001 to 2006.

The report reveals that Transport Canada substantially increased its ability to provide proactive and responsive programs that meet the needs of Canada's marine community. Additionally, Transport Canada has received support for and recognition of its Marine Security program from other federal departments, industry stakeholders and international organizations.

Even though many programs are still new, Transport Canada's Marine Security initiatives have demonstrated early signs of success, including:

- The harmonization of marine security regulations with the International Maritime Organization and the United States
- Increased stakeholder ability to meet and act in a manner consistent with marine security requirements
- Increased stakeholder confidence in and acceptance of the security of the Canadian marine transportation system

The report also outlines a few recommendations from Transport Canada's evaluation team:

- Implementing a performance measurement strategy that will strengthen requirements for data collection and reporting, as well as clearly defining the role and responsibilities of partners
- Developing a financial recording process that will ensure accuracy and accountability
- Conducting an in-depth review to assess whether current resources are sufficient

To date, a total of \$930 million has been invested in marine security initiatives across various federal government departments.

APL Launches New Guaranteed Service

APL has announced a new service where if a container does not reach its destination in the United States by the specified date there is a 20% refund. APL's new service will offer the industry's fastest transit time between key ports in China and customers' US locations and will shorten the transit time to as little as 15 days.

This is probably the first day-definite, full-container-load service from Asia to virtually any US destination. APL Logistics calls it APL Guaranteed Continental service and it connects the ports of Shanghai, Hong Kong, Chiwan, and Yantian with virtually any ZIP code in the continental US.



Slowdown at Port of Tacoma



Port of Tacoma has enjoyed its record cargo performance until 2006. In 2007, the cargo volume has decreased by 0.2 millions TEUs compared to previous year. A softening US economy, a weakening national housing market and the rising cost of inland transportation are considered major contributors to its slow down. While there has been substantial growth from 2002 through 2006, with volumes growing from 1.5 million TEUs to 2.1 million TEUs, in 2007, the port's container volume totaled 1.9 million TEUs.

Situated in Washington, Port of Tacoma is considered a major gateway to Asia and Alaska. The Port boasts 2,400 acres (9.7 km²) that are used for shipping terminal activity and warehouse, distributing, and manufacturing. Port activities account for more than 43,000 jobs in Pierce County, and 113,000 jobs in Washington state.

Port of Tacoma is working to plan and build the facilities and infrastructure that will be needed to keep the Port competitive in the future. With the expectation of growth in world trade to triple by 2030, Port of Tacoma anticipates a recovery in 2009, when Tacoma containerized cargo volumes are forecast to rise to new record levels.

In addition, the auto business in Tacoma has shown positive performance. Auto makers such as Isuzu, Kia, Mazda, Mitsubishi and Suzuki had strong years, introduced new models and strengthened their dealer networks. To encourage further growth, Port of Tacoma is going to continue to invest in this business with anticipation of greater volumes. Moreover, Port of Tacoma is working to plan and build the facilities and infrastructure that will be needed to keep the port competitive in the future.

The Port of Tacoma's non-containerized cargo remained strong in 2007. Total tonnage was up three percent, with grain holding steady at six million tons, break-bulk down 4%, and the port's automobile volume finishing the year up 5%.

The port's 2008 cargo forecast includes:

- **Total Tonnage**- 20.1 million tons (up three percent)
- **Containerized Cargo** -2.05 million TEUs (up six percent)
- **Break-bulk Cargo** - 131,000 tons (up six percent)
- **Auto** - 187,300 units (up seven percent)
- **Intermodal lifts** - 525,350 (up nine percent)
- **Grain** - six million tons (flat)

Despite volume declines in 2007, the port's financial performance remained strong. The port closed 2007 with \$97.6 million in operating revenue - a 6.3 % increase from 2006.

The Port of Tacoma's 2007 cargo volumes :

- **Total Tonnage:** 19.564 million tons
- **Containerized Cargo:** 1.93 million
- **TEUs Break-bulk Cargo:** 123,647 tons
- **Autos:** 175,074 units
- **Intermodal Lifts:** 481,102
- **Grain:** 5.97 million tons

Hong Kong Airport Registers a Good Start to 2008

Hong Kong International Airport (HKIA) has started 2008 with strong traffic growth. In January, passenger traffic reached 4 million, up 13.5% from January 2007.

This year's early start of Lunar New Year Holiday contributed to significant growth in the number of transfer passengers traveling between the Mainland and Taiwan and between the Mainland and destinations in South East Asia. Hong Kong International Airport experienced sharp increases in the number of visitors from Europe, the Chinese Mainland, South East Asia and South Korea.

Strong pre-holiday demand from Europe and South East Asia saw cargo throughput reach 295,000 tons, an 8.9% increase from last January. Air traffic movements rose 5.3% from January 2007, to 24,800.

Total aircraft movements for the month rose 5.3% from a year earlier to 24,800.

Hong Kong's international airport operates more than 5,000 flights a week, with capacity to handle more than 45 million passengers a year. The Hong Kong government owns 100% of the airport authority.

China to build 97 New Airports by 2020

China announced plans to build 97 new airports by 2020 to address ever increasing air travel demand and to alleviate the strains on existing aviation infrastructure.

The new plan is expected to cost USD \$89 billion over the next 12 years and when completed, the total number of civilian airports in China would be 244, up from 147 in 2006.

In 2007, the air traffic volume rose 16% to 185 million passengers and it is predicted that by 2020, the passenger traffic will grow by 11.4% and freight traffic by 14%. The number of airports serving more than 30 million passengers a year will rise from three now to thirteen.

The new airports will be built in five main regions of the country - north, east, south-central, south-western and north-western.

It announced the plan in a statement on its website but did not specify if the airports are domestic or international.

When the expansion is complete, it would mean that 82% of China's population - expected to hit 1.45 billion people by 2020 - would be living within 100km - or a 90-minute drive - of an airport.

Currently, about 60% of the country's 1.3 billion people live within this range.

In 2007, China's economy grew at the fastest pace in 13 years, representing 11.4% growth and China's total logistics flow in 2007 grew 25.5% to USD\$10.27 trillion.



Carrier News

- **Emirates Airlines** (EK) launched the second **PVG**(Pu Dong)-**DXB** (Dubai) direct early morning flight EK305/EK304. EK aims to provide a perfect freight service in China with much more space capacity and flexible schedule choices. EK305/EK304 with 13 tons space capability would be available to DXB.



Emirates Airlines also announced its launch of six-weekly non-stop services to the south Indian city of Kozhikode (Calicut), starting July 1, 2008. On this route, Emirates will initially operate its Boeing 777-200 and Airbus A330-200 aircraft, offering over 4,000 Business and Economy class seats and close to 200 tons of cargo capacity per week in both directions.

- **The SAL Logistics Enterprises Alliance** – Six Chinese carriers joined together to create the nation's first air logistics alliance. The alliance is comprised of **Shanghai Airlines (SAL), China United Airlines, SAL Cargo International, SAL International Cargo Services, Shanghai Crane Transportation and Dahang International Transportation.**

The new alliance is trying to position itself alongside Shanghai's developing logistics sector. SAL owns and operates about 70 freight and passenger aircraft, which operate on about 30 international and regional routes and around 170 domestic destinations. The network covers more than 60 medium-sized and large cities in China and overseas. By 2010, SAL plans to own 100 aircrafts.

- **China Eastern Airlines** and **Shanghai Airlines** have agreed to expand their code-sharing agreements to five additional Chinese cities. Both based in Shanghai, they will serve routes to Harbin, Tianjin, Chengdu, Chongqing and Shenzhen, effective from March 1 to March 29.

The two competing airlines began the code-sharing co-operation on flights to Huhhot, Nanning, Urumqi and Xuzhou from October 28, with the agreement set to end March 29. The two carriers will also extend their co-operation on routes to Hong Kong and Macau.



- **Cathay Pacific Airways** will add three more flights a week from Hong Kong to both Mumbai and Delhi effective February 29. The extra flights will turn Delhi into a daily non-stop service, while Mumbai will also become a daily service with three of the flights operating non-stop and the other four continuing to be routed through Bangkok.

In addition, Cathay Pacific will launch services to a new destination, Chennai, starting on June 2, with four flights a week. The Sister airline, Dragonair will also get its first foothold in the important Indian market when it begins a daily flight to technology hub Bangalore on May 1.

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 **March 01 – March 31, 2008**.

EBAF:

	Eastbound (to USA)	Westbound (from USA)
20' container	USD724.00	USD724.00
40' container	USD905.00	USD905.00
40'HQ container	USD1018.00	USD905.00
45' container	USD1146.00	USD905.00

IFC:

Inland transported by truck: \$81 per container

Inland transported by truck and rail combination: \$280 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 – March 2008

1	March	Independence Day – Korea
17	March	St Patricks Day - Ireland
21	March	Good Friday - Singapore, South Africa Ireland, HK, Germany, Canada
24	March	Easter Holiday - Germany, HK, Ireland, 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