

Industry Update

May 2009



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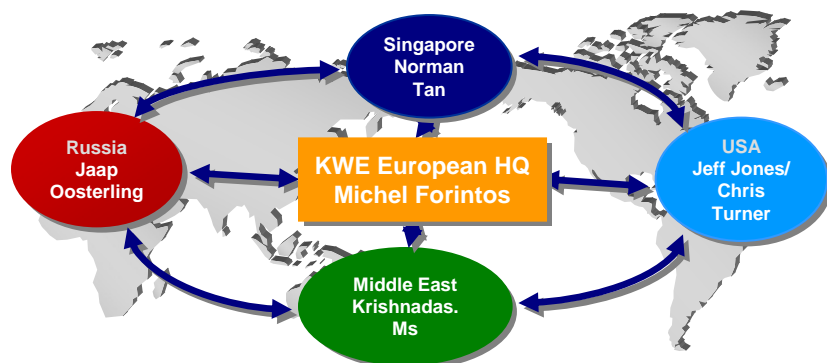
KWE as Global Partner in Oil & Gas Logistics

KWE is pleased to announce the establishment of the Global Oil & Gas team.

The Global team is represented by five strategic KWE terminals: Houston, Singapore, Dubai, Moscow & Amsterdam, with the KWE European HQ as a leading office.

The KWE Global Oil & Gas team has been structured to centralize KWE's expertise, share information on a global basis and to provide first class customer service to our clients. KWE will provide high-quality logistics services in upstream and downstream operations.

The Global Oil & Gas client base is comprised of the largest oil company in the world, sub-contractors, energy plants, oilfield supply companies, and other subsidiaries.



KWE USA Celebrates 40 Year Anniversary

**KWE USA Celebrates
Momentous Milestone of 40 years.**

KWE is pleased to announce that KWE (USA) is celebrating its 40th anniversary.

KWE USA started in Chicago in 1969, as an air cargo and logistics firm. From that humble beginning, KWE USA has grown in scope and services – now with dozens of full-service offices and hundreds of dedicated employees across the U.S.

KWE thanks each and every employee who has helped to make KWE USA the business that it has become.

CentrePort Canada Way Receives \$212 million Boost

The federal and provincial governments pledged more than \$212 million to build a four-lane divided expressway that will link CentrePort Canada - a 20,000-acre plan for a manufacturing, warehousing, and transportation depot - with major rail and highway links.

CentrePort Canada is a private sector-led corporation, created by Manitoba provincial legislation last fall, to build the port and develop Manitoba's air, rail, sea and trucking infrastructure.

It is centrally and strategically located at the heart of North America to connect businesses to world markets. CentrePort Canada, Manitoba's inland port, is anchored at Winnipeg's James Armstrong Richardson International Airport. CentrePort Canada offers Greenfield investment opportunities for a wide variety of sectors including distribution centers, warehousing and manufacturing.

The province introduced legislation to allow tax increment financing to support development in the inland port area and Budget 2009 expanded the fuel tax exemption for international cargo flights to include direct and indirect flights to the US.

Planning and design work is already underway and construction will begin early next year and extend into 2011.



Mexico Plans to Impose Tariff on US Products

Mexico is planning to impose tariffs on 90 U.S. products after President Obama terminated the cross-border truck program last week. The seemingly retaliation move which would place tariffs on products ranging from grapes to toilet paper would affect \$2.4 billion worth of exports and add more problems to the already distressed U.S. economy.

The pilot project, which began in September 2007, allowed up to 100 Mexican carriers to transport cargo beyond a 25 mile commercial zone inside the U.S. border. The project was criticized from the start by several special interest groups and many union truckers expressing concern that these trucks may not meet the same safety standards as American trucks.

Officials from Mexico have stated that the U.S. is failing to meet its obligations to cut barriers under NAFTA. In response, the Obama administration began efforts to ease an erupting trade dispute with Mexico by starting work on a new program to give Mexican truckers broader access to U.S. highways while at the same time fulfilling the demands of the unions.

KWE Singapore Acquires Zero GST Warehouse License Type II

KWE Singapore is proud to receive a certification of Zero GST Warehouse License Type II from the Singapore Customs on February 16. KWE's Changi South head office warehouse became a Zero GST warehouse.

Introduced by Singapore Customs in 2006, the Zero GST Warehouse Scheme is a new system for companies who wish to suspend Goods Service Tax (GST) on their imported non-dutiable goods. There are three license types, namely Warehouse Type I, Type II, and Type III, catering to different needs of companies.

Its function is similar to a bonded warehouse. The Type II license allows warehouses to store and intermingle in-bond cargo and general cargo without pinpointing the place in the same building. GST on the goods is suspended when the goods are imported into the Zero GST warehouse.

Further, Zero GST warehouse allows flexible VMI operations compared to a general bonded warehouse.

Since the inspection and financial management system by Singapore Customs become strict as the level of the License type rises, there are very few companies acquiring the license of the Type II and III in Singapore.

Zero GST Warehouse	Type I	Type II	Type III
Bonded Area	Predetermined Area	All Area in Warehouse	Multiple Warehouse
Re-Export of Goods	Necessary (More than 80%)	Not Necessary	Not Necessary
Mixture Storage of Inbond and General Cargo	Not Available	Possible	Possible

FDA Publishes Guidance to Prior Notice

The Food and Drug Administration (FDA) has published a compliance guide for small entities titled, "What You Need to Know About Prior Notice of Imported Food Shipments."

It introduces the amendments on Prior Notice requirements to inform food transporters, food importers and exporters, foreign manufacturers and growers, and food filers and brokers.

As of December 12, 2003, any shipments of food for humans and other animals that are imported into the U.S. must be reported to FDA in advance, unless the food is excluded from Prior Notice. The Prior Notice is required to give FDA time to review and evaluate information before a food product arrives in the U.S., better deploy resources to conduct inspections, and to help intercept contaminated products.

The final rule retains the majority of the requirements found in the IFR [Interim Final Rule] and includes amendments in a few key areas.

Highlights of the final rule include:

- Prior Notice submissions must be made no more than 15 calendar days before the anticipated date of arrival for submissions made through FDA's Prior Notice System Interface (PNSI) and no more than 30 calendar days before the anticipated date of arrival for submission made through CBP's Automated Broker Interface of the Automated Commercial System (ABI/ACS), instead of the 5 calendar days required in the IFR.
- The final rule added definition of "manufacturers".
- The final rule exempts from prior notice food in diplomatic bags/pouches based on the authority in Art. 27(3) of The Vienna Convention on Diplomatic Relations (1961),
- Submission can be made for the express consignment operator or carrier trucking number in lieu of the anticipated arrival information, Bill of Lading, or Airway Bill number when certain conditions are met.

The timeframe to submit Prior Notice is:

- By air: No less than 4 hours before arriving at the port of arrival
- By water: No less than 8 hours before arriving at the port of arrival
- By land via road: No less than 2 hours before arriving at the port of arrival
- By land via rail: No less than 4 hours before arriving at the port of arrival

The final rule will take effect on May 6, 2009 and any individual with knowledge of the required information can submit Prior Notice. This includes individuals, manufacturers, exporters, brokers, importers, and U.S. agents.

In order to view entire compliance guide, please visit, <http://www.cfsan.fda.gov/~acrobot/fsbtpn2.pdf>



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Infrastructure Development in Africa



The World Bank, the European Commission, Britain, and the African Development Bank committed \$1.2 billion to upgrade infrastructure and improve trade in eastern and southern Africa at a conference in Lusaka, Zambia.

The funds would be used to finance new projects and to improve about 5,000 miles of road and 373 miles of rail track.

The development of two corridors will have priority, the Dar es Salaam Corridor linking the port of Dar es Salaam with the Copperbelt and the North-South Corridor linking the Copperbelt to southern ports in South Africa. The corridor, together with its adjacent spurs, will serve eight countries: Tanzania, DR Congo, Zambia, Malawi, Botswana, Zimbabwe, Mozambique, and South Africa.

New Rules for Exports to Saudi Arabia

Saudi Arabia has introduced new export regulations.

All goods being exported to Saudi Arabia must be clearly labeled with the country of origin. A non-removable indication of origin must be engraved or affixed to each item and the outer case must also contain the same information.

Products that cannot be labeled due to their size or nature of the product must carry a fixed non-removable indication of origin on the product wrapping or packing.

Failure to comply with the new rules will result in delays and additional costs being incurred at the ports and the importer will be required to take corrective action.



KWE HKG Introduces New Service

KWE Hong Kong has a plan to start "Hot Delivery Consolidation" to handle HKG-OSA ocean LCL shipments.

Through normal service, it will take 3-4 days to deliver shipments to the customer, however, this new service will shorten the transit time to 2 days after the ship arrives at the port.

Currently KWE HKG provides this service to Tokyo.

Carrier News



- **Cathay Pacific Airways** announced its plans to reduce passenger capacity by 8 percent and cargo capacity by 11 percent. The freighter frequency will fall to 84 flights a week from their peak last year of 124 a week.

- Many ocean carriers have begun implementing CBS (China Bunker Surcharge) for Hong Kong to China Ports starting April.

CBS charge is as follows:

- USD 30 per 20' Container
- USD 60 per 40' Container

This rate increase applies to all equipment types in addition to existing applicable moving ocean freight rates.

- **Korean Airlines** introduced two new services to Kallax (LLA), Sweden starting April 21.



- **Finnair's** second Airbus A330 aircraft launched its first commercial flight to Delhi on May 1.

- **Continental Airlines** resumed daily, non-stop seasonal service between its New York hub at Newark Liberty International Airport and Athens, Greece, effective May 2. The service will operate through September 7.

- **Austrian Cargo** and **Lufthansa Cargo Charter**, the independent subsidiary of Lufthansa Cargo AG, have signed an agreement for the global sales of cargo charters in March 2009.

Lufthansa Cargo Charter is expanding its sales range, and can rely on the expertise of the global sales team of Austrian Cargo. Austrian Cargo is expanding its product portfolio with tailor-made transport solutions in line with the requirements of their customers. This ranges from the full charter flight, when cargo space capacity in the hold of a passenger aircraft is insufficient or the route is not operating, through to the combination of an Austrian scheduled flight and a charter flight. There are now hardly any restrictions on the product.



- Spanish carrier **Air Europa** announced that it would cut charter flights to Mexico to one from five a week next month after demand was hit by fears about travelling to the country because of the swine flu outbreak.

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

WESTBOUND (from USA to Asian destinations)				
	April 01 through June 30, 2009			
	20' dry	other dry	20' reefer	other reefer
BAF – West Coast	226	283	318	398
BAF – East Coast	455	569	608	760
IFC – Pure truck	44	44	44	44
IFC – Truck/Rail	153	153	153	153
EASTBOUND (from Asian origins to USA)				
	May			
	per 20'	per 40'	per 40HQ	per 45'
BAF	328	410	461	519
IFC-Truck	44	44	44	44
IFC-RIPI	77	77	77	77
IFC-IPI	153	153	153	153

Holiday Schedule – May 2009

18	May	Victoria Day – Canada
21	May	Ascension Day - Germany
31	May	Pentecost/Whitsun - Germany
28	May	Tuen Ng Festival – Hong Kong
31	May	Pentecost/Whitsun - Germany

Recently we have been seeing announcements from several carriers regarding pending Fuel Surcharge changes. The continued fluctuations of the global barrel prices are the driving force behind these possible and anticipated changes. 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



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