Volume 7 Issue 11

# Industry Update

November 2011

**Inside this Issue:**

1.Southeast Asia Flooding
2.U.S & South Korea's Free Trade Agreement
3.KWE Spotlight
4.Singapore Airlines' New German Route
5.Lufthansa to Lose Profit
6.Updated BAF/IFC

*both photo credits: TheWatchers*

## Southeast Asia Flooding

This year's monsoon season in Southeast Asia has been one of a kind. Abnormal rainfall in certain areas has caused an unexpected amount of flooding.

Flooding in Thailand was the worst the country has seen in over 50 years and it is reported to have claimed over 300 lives and about $30 billion worth of damages. The heavy showers began in July and have affected more than two million people.

"The floods submerged four million acres [of land], an area roughly the size of Kuwait, and destroyed 25% of the main rice crop (*Reuters*)." Thailand is one of the leading rice exporters in the world.

According to information on *Reuters*, Thailand is the second-largest exporter of computer hard drives and global prices are expected to rise because of the flood-related shortage of major pieces utilized in personal computers.

The Bank of Thailand expected to see 4.1% of economic growth but it has shrunk down to 2.6% due to the flood.

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# Southeast Asia Flooding Continued…

*photo credit: KWE*

Other countries affected included Vietnam, where at least 55 have died and there are about $60 million worth of damages. Cambodia was also hit with the worst flooding the country has seen in over a decade; with more than 245 deaths and an estimate of over 245,000 families losing their homes. Laos also felt the poundings from the rain with a death toll close to 30 and nearly 430,000 citizens affected by the flooding.

KWE Thailand's headquarter, warehouses and employees were all deeply affected by this devastation. The Navanakorn Warehouse experienced heavy flooding but is now back to normal operations. The main office was swamped with 70cm of water but it is slowly retreating.

Despite this devastation, employees are working swiftly for a fast recovery.

# U.S. & South Korea's Free Trade Agreement

The revised version of the United States and South Korea's Free Trade Agreement (KORUS FTA) was passed by the Senate (83-15) and the House (278-151) on Oct. 12, 2011. According to the Office of the United States Trade Representative, "Nearly 95% of bilateral trade in consumer and industrial products will become duty free within five years of the date FTA enters into force and most remaining tariffs would be eliminated within 10 years."

The U.S International Trade Commission estimates that the decrease in tariffs will add $10 billion to $12 billion annually to U.S Gross Domestic Product (GDP) and an estimated $10 billion annually to Korea's merchandise export.

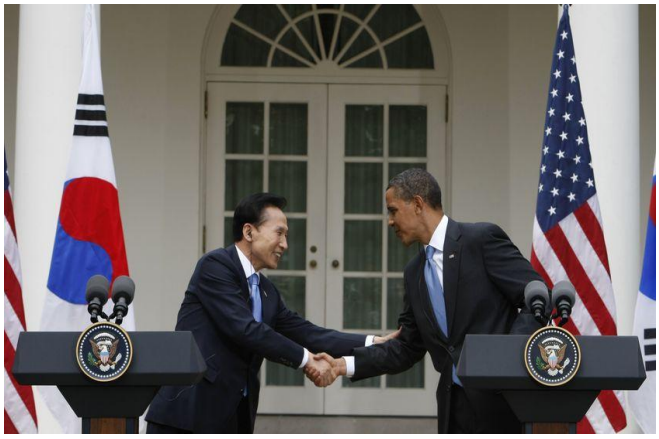

*photo credit: www.obama.net*

*Air Cargo World* stated that the free trade agreement with the European Union can increase trade in this market by $4.7 billion annually until 2015 along with growing airfreight volume by 6.1%.

Representatives from both Korean and Asiana Air agreed that Europe and North America are lagging behind their earlier growth projections. In response to this, Korean Air added a group of second tier cargo markets in Qatar, St. Petersburg, Istanbul and Zaragoza to its freight network while Asiana spread to Miami and Portland.

"This year's business has decreased because of economic circumstances in the Eurozone and North America," said Kee Chul, Vice President of Cargo Sales at Asiana, "Korea's exports and imports are not as strong as last year because demand in the U.S and EU have been getting weaker." Kee hopes that the move to Miami will give them the foot in the door for the flow of goods between Asia and Latin America. Korean Air already runs freighters to Miami and is also looking to expand in Latin America.

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# KWE Switzerland Attends Transport & Logistik Schweiz

*KWE Switzerland's booth at the event*

KWE Switzerland was given the opportunity to attend the "Transport and Logistik Schweiz 2011" at Berne Expo with a booth slot in order to promote their services. It was a huge success and many of their customers came to visit and support their efforts. A myriad of new business relationships were created as KWE Switzerland networked to increase their presence in the Swiss market.

KWE Switzerland already booked a booth for next year's Transportation Fair called "Fracht 2012" which will be held in Winterthur, near Zurich Airport.

For more details, go to:
www.easyfairs.com/logistikschweiz

*photo credit: KWE Switzerland*

# KWE Ireland Acquires AEO Certification

KWE wants to congratulate their Ireland office for acquiring their EU *AEO standards certification on September 30, 2011. This certification, commonly referred to as AEO-F, ensures that KWE Ireland receives preferential treatment in customs clearance procedures as well as security and safety controls.
They are the third company within the KWE group to receive this after KWE Germany and KWE UK.

KWE Ireland has acquired this certification as part of its efforts to provide the highest possible quality services to meet their customer needs.

**This certification allows freight forwarders that have met the required standards to receive preferential treatment which simplifies and accelerates customs clearance procedures.*

# Follow KWE Canada on Twitter!

KWE Canada has recently launched their Twitter campaign in order to keep customers up-to-date with information on current events.

Since the release of their new website (www.kwe.ca), their marketing department has really amped up and is emphasizing the importance of communication with their customers via social networking and the internet.

Follow KWE Canada at: www.twitter.com/kwecanada

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# KWE New Logistics & Warehousing Company in Indonesia

KWE is pleased to announce that on September 16, 2011, it has registered a new logistics and warehousing company in Indonesia!

Since establishing PT. Kintetsu World Express Indonesia in 2003, a company focusing on the handling of air and ocean freight, KWE has continued to expand its operations within this country. In line with an ever increasing demand for logistics services within Indonesia, KWE has established this new company focused on providing logistics and warehousing services.

*photo credit: KWE*

Scheduled to commence fully fledged operations in April 2012, this new company, centering on Japanese manufacturers who have expanded operations into Indonesia, will provide a comprehensive range of cargo distribution services.

The provided services will encompass everything from international transport and the handling of customs clearance procedures to providing logistics services within Indonesia itself.

| | |
|---|---|
| **Company Name:** | **PT. Kintetsu Logistics Indonesia** |
| **Shareholders:** | **KWE-Kintetsu World Express (S) Pte Ltd.(90%)<br>PT. Kintetsu World Express Indonesia(10%)** |
| **Representative:** | **Shogo Ikeuchi (President)** |
| **Main Business:** | **Logistics & Warehousing** |
| **Address:** | **Komplek Pergudangan Soewarna Unit A 6-7, Taman Niaga Soewarna Blok B Lot 1-5 Bandara International Soekarno-Hatta, Cengkareng-Jakarta 19110, Indonesia** |
| **Phone:** | **+62-21-5591-3151 (office) +62-21-5591-1792 (fax)** |

# Asiana Airlines New Cargo Freighter Service

Asiana Airlines initiated a new cargo freighter service from Cheongju International Airport to Atlanta with four direct flights per week. This new route will further expand and strengthen Asiana's global freighter program (Asiana is Korea's second largest airline after Korean Air).

The Organization for Economic Cooperation and Development recently ranked the country's dependence on trade the highest among the world's largest countries, with exports making up 43.4% of GDP.

The flights will also contribute to the growth of Atlanta as an important airfreight hub. Atlanta has shown significant growth since 2009, with total airfreight increasing 22% overall and 35% in international air cargo.

*photo credit: Chang Ho Lee*

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# Singapore Airlines Begin German Cargo Route

***photo credit: wonderskies***

According to *Air Cargo World*, Singapore Airlines Cargo will start a weekly freighter service from its hustling and bustling Changi Airport to Germany's Frankfurt Airport starting November 2.

Singapore Airlines' officials hope these flights will be occupied with machinery and automotive merchandises since Frankfurt is a major hub for the manufacturing and air transportation sectors. The new route may also boost volumes for Frankfurt Airport who has recently experienced lower than average cargo volumes for the month of September since the total night flight ban.

Senior Vice President of Sales and Marketing at Singapore Airlines, Tan Tiow Kor stated, "The freighter services to Frankfurt will give our customers more choice of flights to choose from and will play an important role in expanding two-way trade links with key markets in Asia and Europe.

The new course will be achieved by Boeing 747-400 freighters and expand Singapore Airlines' cargo capacity on its twice-daily passenger services to Frankfurt (*Air Cargo World).*

# Lufthansa Cargo Anticipates Profit Loss

According to *Air Cargo World*, "Lufthansa Cargo's freighter services to the U.S and China are the most affected by the shocking decision on October 11 to ban night flights at Frankfurt Airport by the Hesse Administrative High Court in Germany ."

Lufthansa had ten night-flights planned for its winter scheduling by the end of October. Karl Ulrich Garnadt, Lufthansa Cargo's CEO ,stated in a press conference that a permanent ban can cost them in the double-digit millions of euros. One analyst measured that this action will cost Lufthansa somewhere between 30 million and 50 million euros.

The biggest victim of the ban is the same day delivery service to the U.S over New York and Chicago, while the cancellation of the twice weekly flight to Tianjin, China and re-routing of five weekly Beijing and Guangzhou services through Cologne are also affected.

Garnadt stated, "The ban came three weeks before the start of the winter season, so there was almost no time to react. It left us a very short period to reschedule our entire program."

The final verdict on the ban of night flights will be reached between January and February of 2012. The best thing that Lufthansa can hope for is for no change and to resume full force with their summer schedule and expansion plan to Frankfurt.

***photo credit: duponeregistry***

As of now, with restrictions, the only German airports where night flights are permitted are Leipzig, Cologne and Nuremberg. "Lufthansa is still set to take delivery of a replacement fleet of Boeing 777 freighters starting 2013, but will have to consider a different home base if the curfew stays."

"Frankfurt is essential to the logistical network. We can, for the most part, provide our customers with the required lift, but there are serious consequences of our reliability [from the night ban]. It will be possible to operate, but we would have to re-analyze our future development." Ganadt.

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

| WESTBOUND (from USA to Asian destinations) | | | | |
|---|---|---|---|---|
| | Oct 01 through Dec 30, 2011 | | | |
| | 20′ dry | 40′-45′ dry | 20′ reefer | other reefer |
| **BAF** – West Coast | 584 | 730 | 823 | 1029 |
| **BAF** – East Coast | 1149 | 1436 | 1531 | 1914 |
| **IFC –** Pure truck | 104 | 104 | 104 | 104 |
| **IFC** – Truck/Rail | 359 | 359 | 359 | 359 |
| **EASTBOUND (from Asian origins to USA)** | | | | |
| | Oct 01 through Dec 30, 2011 | | | |
| | per 20′ | per 40′ | per 40HQ | per 45′ |
| **BAF –** West Coast | 430 | 538 | 605 | 681 |
| **BAF –** East Coast | 847 | 1059 | 1191 | 1341 |
| **IFC-**Truck | 104 | 104 | 104 | 104 |
| **IFC-**RIPI | 180 | 180 | 180 | 180 |
| **IFC**-IPI | 359 | 359 | 359 | 359 |

## KWE November Holiday Schedule

| | | |
|---|---|---|
| 25 | Thanksgiving Day (U.S.A) | All U.S. Offices Closed |

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