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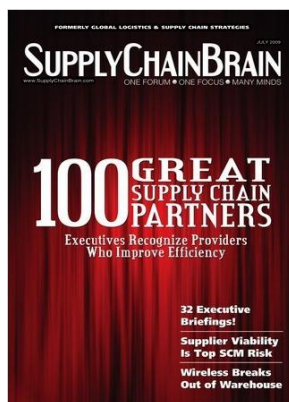
Industry Update

October 2009



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KWE Named to *SupplyChainBrain* 100 Great Supply Chain Partners List

SupplyChainBrain Magazine has named KWE to its 2009 "100 Great Supply Chain Partners" list, recognizing the company as a true global logistics partner to its clients.

The *SupplyChainBrain* "100 Great Supply Chain Partners" list is the result of a six-month online poll in which logistics and supply chain professionals were asked to nominate vendors and service providers "whose solutions have made a significant impact on their company's efficiency, customer service and overall supply chain performance."

Supply Chain Brain received more than 2,700 nominations from companies all over the world, naming over 500 vendors from various areas of supply chain activity such as technology, transportation, consulting and finance. The list was then narrowed down to the Top 100, with heavy emphasis given to the in-depth commentary and analysis provided by the nominators. Key factors included commitment and understanding of customer requirements as demonstrated by service quality.

Nominations were received for trading partners in every aspect of supply chain management. According to SupplyChainBrain, the 10 most common qualities that users looked for in their vendors were:

- 1) Reliability
- 2) Repeatable excellence
- 3) Value and cost savings
- 4) Expertise and knowledge base
- 5) Problem-solving ability
- 6) Continuous improvement
- 7) Support
- 8) Positive culture
- 9) Global capabilities
- 10) Strong management.

It is an honor and a great achievement for KWE to be recognized as one of the World's 100 Great Supply Chain Partners. KWE appreciates all employee's efforts and promises to continue providing excellent customer service and performance for our clients.

The complete list of winners is published in July's issue of the *SupplyChainBrain* magazine, and online at :

<http://www.supplychainbrain.com/content/headline-news/single-article/article/100-great-supply-chain-partners-issue/>

KWE Kicks Off Fall 2009 Trans Atlantic Campaign



KWE Canada and UK proudly announce the kickoff of the Fall 2009 Trans Atlantic Campaign which begins on October 1st. Over the next two months, KWE Sales teams from each country will promote KWE strengths and service offerings in these key markets, introducing dynamic logistics solutions to existing and new customers.

The campaign's main goal is to bring awareness to importers and exporters about KWE's capabilities and available resources. KWE's strong presence and expertise in these countries provides innovative solutions for to achieve better transit times and overall cost savings for our clients.

During this current market down turn, our clients have been able to rely on KWE for solid solutions to meet their Trans Atlantic needs.

The campaign will run from Oct 1st through Nov 30th. Please contact your nearest KWE office for further information.

Plans to Link Chongqing to Rotterdam

Plans have been announced to link Chongqing to Rotterdam via an intercontinental rail line by 2012.

The link has been in development for quite some time on both the European and Chinese sides and when completed, will have the potential to connect China with not only Europe but also Central Asia and the Middle Eastern states, all of which had expanded into successful export markets prior to the recent trade slowdown.

In 1993 the European Union launched the Transport Corridor Europe Caucasus Asia (TRACECA) program in a bid to link Europe to Central Asian republics (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan) and three Caucasian republics (Georgia, Azerbaijan and Armenia). Between 1993 and 2005 approximately EUR 1 billion was spent on the project infrastructure including ports, railways, and roads.

China's huge investment in rail transport, particularly in Xinjiang, will dovetail with European plans. Last year, the government spent \$48 billion on railway investment, and has plans to nearly double that figure in 2009 by spending \$88 billion.

For years, the inhospitable terrain separating China from Central Asia has limited China's ability to channel trade westward, but the development of a rail link has the potential to shift the axis of China's external trade away from Eastern ports.

The rail link is planned for 2012 but there is still a long way to go in order to handle the volume similar to some of the smaller East coast ports. Some challenges include how to develop the rail lines and communication networks to root the project as well as how to establish co-operation between the many states through which the line intends to run. However, with efforts on the European side, the link will become more prominent and once completed should open up a new frontier for the exporters in China.



U.S. Imposes Additional Tariffs on Chinese Tire Imports

On September 11, 2009, the United States president, Barack Obama signed a Presidential Proclamation aimed at restricting tire imports from China for three years in response to a petition filed earlier this year by the U.S. Steelworkers Union.

Effective September 26, 2009, additional duties will be imposed on tires for passenger cars and light trucks from China. Specifically impacted are "Chinese origin new, pneumatic tires, of rubber, of a kind used on motor cars (except racing cars) and on-the-highway light trucks, vans, and sport utility vehicles and are, generally, to be mounted onto rims." In the Harmonized Tariff Schedule of the United States (HTSS), these tires are classified in subheadings 4011.10.10, 4011.10.50, 4011.20.10, or 4011.20.50.



Products that are not subject to the additional duty within these subheadings include:

- pneumatic racing car tires,
- new pneumatic tires of a kind used on large trucks and buses;
- new pneumatic tires of a kind used on agricultural or forestry vehicles and machines and construction or industrial handling vehicles or machines;
- new pneumatic tires of a kind used on aircraft, bicycles, motorcycles, trailers, all-terrain vehicles, and vehicles for turf, lawn and garden, and golf applications;
- pneumatic tires that are not new, including recycled and re-treaded tires; and
- non-pneumatic tires, such as solid rubber tires.

The new tire duty rate is imposed for a three year period. For the first year, it is imposed of a ad valorem tariff of 35% to the existing 4%. It will fall to 30% in the second year then 25% in the third year.

On September 23, 2009, the U.S. Customs and Border Protection (CBP) published guidance on its website in regards to the subject. The full text of the CBP guidance can be accessed online at:

http://www.cbp.gov/xp/cgov/trade/trade_programs/duty_rates/advalorem_chinese_tires.xml

For further questions please contact the Kintetsu World Express USA Inc Corporate Trade & Compliance department by email at customs_compliance_group@am.kwe.com or by telephone at (310) 667-4500 ext 4539.

IATA Revises Outlook for 2009

The International Air Transport Association (IATA) has again announced a revised global financial forecast predicting an \$11 billion airline loss in 2009. This is \$2 billion worse than the previously estimated loss of \$9 billion. Industry revenues for the year are expected to be \$455 billion which is an \$80 billion (15%) drop compared to 2008 levels.

Additionally, 2008 loss estimates have been revised to \$16.8 billion from \$10.4 billion previously. This is a reflection of restatements and clarification of the accounting treatment of very large revaluations to goodwill and fuel hedges. According to the IATA's Director General and CEO, Giovanni Bisignani, the combined loss of \$27.8 billion for 2008-2009 is worse than the 2001-02 loss of \$24.3 billion due to the impact of 9/11.

The decline in passenger traffic and cargo demand, exceptionally weak yield, and the rise in fuel prices are the three main factors for these losses.

The regional differences remain significant:

- Asia-Pacific carriers will post losses of \$3.6 billion, which is similar to the previous forecast of \$3.3 billion.
- North American carriers are expected to post losses of \$2.6 billion which is more than double the forecasted loss of \$1 billion.
- European carriers are expected the largest loss of \$3.8 billion. This is also more than double the previously forecast loss of \$1.8 billion.
- Middle East carriers are expected a loss of \$0.5 billion which is an improved outlook from \$1.5 billion.
- Latin American carriers will also see an improved outlook. From a loss of \$0.9 billion to breaking even.
- There has not been a change in the outlook for Africa's carrier with an expected loss of \$0.5 billion.



IATA expects losses to continue into 2010 with the industry expected to report a US\$3.8 billion net loss. This is based on a limited revival of growth in traffic volumes of 3.2% for passenger and 5% for cargo; very little increase in yields of 1.1% for passenger and 0.9% for cargo and oil at US\$72 per barrel.

Philippines BOC Defers IAS Implementation

The Bureau of Customs (BOC) of the Philippines has decided to defer their implementation of the Electronic to Mobile (e2m) Customs Import and Assessment System (IAS) from September 14, 2009 to October 12, 2009. This IAS is planned to be implemented at the Port of Manila (POM) and Manila International Container Port (MICP).

One of the reasons for this deferment is the additional time needed for registration of importers and freight forwarders on the Client Profile Registration System (CPRS). Also cited are the need for IAS system enhancements and potential revisions relating to the 12-hour advance manifest submission and imposition of penalties for late manifest submission.

Effective October 12, 2009, all importers without a Customs Client Number (CCN) will not be able to file their import entry with the BOC.

Ports of Hamilton and Halifax Form Closer Ties

The Hamilton and Halifax Port Authorities signed an agreement intended to speed development of short-sea shipping service opportunities.

“We recognize that the strategic location of both ports provides a cost effective and efficient gateway for maritime commerce flowing into and out of the Great Lakes Region and the St. Lawrence Seaway,” said Bruce Wood, the Port of Hamilton’s president and CEO. “By promoting short-sea shipping opportunities with Halifax, customers in the heart of North America could access the many connections that the Port of Halifax can provide to markets worldwide.”

The two ports will further evaluate the business case for short-sea shipping, identify potential customers and service operators, and plan for marketing of joint opportunities.



Truck Access Improvement at Port of Montreal

The Canadian Government will invest up to \$9 million at the Port of Montreal to optimize infrastructure, for the purpose of building a common entry and exit portal for trucks at the port. The purpose of this investment is to improve port operations, which generates a large amount truck traffic flow in and around the port since the port heavily relies on container shipments.



“The improved truck access through the portal will directly benefit haulage companies and the entire transportation logistics chain,” said a government release. “The work will have positive effects on medium and long term economic development, while creating jobs in the short term.”

“The construction of a common portal will permit the Port of Montreal to improve the flow of truck traffic and increase its competitiveness. In addition, by significantly decreasing the wait time of trucks, this system will reduce the environmental footprint of port activities,” said Sylvie Vachon, newly appointed president and CEO of the Port Authority of Montreal.

The Canadian Government’s investment comes from the new Infrastructure Stimulus Fund, announced in the Economic Action Plan. The estimated total cost is \$18 million and the Port Authority of Montreal will assume the balance of the project costs.

Carrier News



- **Korean Air Cargo** will be increasing its freighter service at Toronto Pearson starting in October. The airline will be adding a third weekly B747-400F flight to offer a Wednesday, Friday and Saturday service.

According to officials, Canada's new open skies agreement with South Korea and the GTAA's reduced landing fees for all-cargo aircraft that were announced in June of last year facilitated the expansion of Korean Air's cargo schedule in Toronto.

- **Air China** will set up a Shanghai-based cargo joint venture with Cathay Pacific after the recent strengthening of their cross-shareholding. The venture is likely to enhance both the company's southern China air cargo business by handling exports from Shanghai through Hong Kong. The two airlines are considering joint procurement measures to cut costs.

- **Cargoitalia** – Italy's new all-cargo carrier – celebrated the launch of its first scheduled freighter service between Milan and Hong Kong on September 10, 2009. Cargoitalia will now operate twice-weekly scheduled MD-11SF freighter services between Milan and Hong Kong on Wednesdays and Saturdays.

Hong Kong Air Cargo Terminals Limited (Hactl) is providing Cargoitalia with physical cargo handling, air cargo documentation, ramp handling and crew transportation services at the Hong Kong International Airport.

- **Cathay Pacific Airways, Singapore Airlines, Lufthansa** and other airlines have raised freight rates 10 to 15 percent after a rebound in demand as inventories force United States and European retailers to order goods to fill their empty shelves

Also, Air China had raised freight rates 7 percent for shipments to Europe and the US. On Sept 11, the mainland carrier increased their freight rates by 9 percent for North American routes.

- **Air France** and **KLM** will combine their U.S. Cargo operations from October 2009 to improve performance and lower their costs.

- **United Cargo** has started a program that will cover shipment of healthcare and pharmaceutical products that require temperature controls and monitoring.



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

WESTBOUND (from USA to Asian destinations)b				
	October 01 through December 31, 2009			
	20' dry	other dry	20' reefer	other reefer
BAF – West Coast	367	459	517	646
BAF – East Coast	730	913	973	1216
IFC – Pure truck	53	53	53	53
IFC – Truck/Rail	185	185	185	185
EASTBOUND (from Asian origins to USA)				
	October 01 through December 31, 2009			
	per 20'	per 40'	per 40HQ	per 45'
BAF – West Coast	246	308	347	390
BAF – East Coast	490	613	690	776
IFC-Truck	53	53	53	53
IFC-RIPI	93	93	93	93
IFC-IPI	185	185	185	185

Holiday Schedule – October 2009

12	October	Thanksgiving – Canada	
12	October	Columbus Day – USA	Skeleton Staff
17	October	Deepavali – Singapore	
26	October	Chung Yeung Festival – Hong Kong	