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NEWSLETTER No.35 - March 2011

NEWS

CAPE-TO-CAIRO FTZ

According to Trade & Industry Minister Rob Davies, the possibility of a Free Trade Zone that would include 26 Eastern and Southern African countries could be tabled in South Africa by mid-2011. Davies pointed out that a big regional market such as this would stimulate growth and help to increase intra-regional trade, which currently only accounts for 12% of all African trade.

The establishment of a massive FTZ poses a few challenges. One of these is the need for acceleration of the development of infrastructure in South Africa's neighbouring countries, particularly in terms of transport. Another is for African countries to add value to their exports.

The 'Cape to Cairo' FTZ would require the collaboration of the Common Market for Eastern & Southern Africa (COMESA) and the East African Community (EAC).

TOUGHER RULES

The air cargo industry is trying to sort out a new security directive from the Transportation Security Administration that effectively increases the level of surveillance on high-risk international shipments.

A new TSA directive which was issued March 10 to take effect the next day obliges air cargo carriers and forwarders to collect additional information from shippers that do not have a history of transaction with them. This information will include shipper account history and aircraft operators will have to determine what security measures they must apply.

TSA began signalling new air cargo security rules were in the offing for the end of March, but their timing and magnitude caught carriers and forwarders off guard. However, while the TSA order took effect March 11, the agency has not indicated a deadline for enforcement action.

CONTAINER SHORTAGE?

There are mounting fears that a container shortage will emerge in the coming months as box manufacturers struggle to keep up with rising vessel slot capacity. Alphaliner estimates the box-inventory-to-vessel capacity ratio will decrease to 1.99 by the end of 2011, down from 2.03 last year, the lowest ratio on record, and far lower than the 2.99 boxes per slot in 2000.

The Paris-based maritime consultancy said the ratio dropped significantly in 2009 as the financial crisis prompted carriers and leasing companies to dispose of a large portion of their older stock as utilisation levels declined and did not order new boxes. Demand plummeted and, as consequence, the manufacturing of containers almost stopped.





The sharp upturn in demand for sea freight last year resulted in an acute shortage of containers in Asia, with some carriers forced to bring in empty containers that were being used on the Europe and North America trades, to fill the gap in the Far East.

The container imbalance has stabilised since July, as the production of boxes took off again while the scrapping of older units was virtually halted. The fall in demand during the fourth quarter, following the end of the summer peak season, has also helped to bring back the balance. While carriers look better prepared for the forthcoming summer season, the surge in new box prices could dampen additional orders for new containers.

Analysts blamed the current high price for new containers mainly on capacity constraints at Chinese manufacturers, which account for around 96% of the total box building capacity worldwide. Apparently, factories are still unable to return to full production after most manufacturing lines were shut in 2009 and most are unable to work on double shifts due to labour shortages.

FROM HONG KONG TO NANSHA

Maersk Line has announced it will reduce ship calls to Hong Kong by up to a third starting in April, with Modern Terminals' Container 9 taking the brunt of one of the biggest shifts in years.

The carrier intends to create a third major gateway to and from South China (the others are Yantian and Hong Kong). In order to do so, it will add Nansha calls to several strings in the upcoming annual deployment adjustments replacing Hong Kong in several cases. Maersk executives estimate its vessels make around 850 calls to Hong Kong annually, or 71 per month. Under the new arrangement, this will likely decline to 47 monthly calls.

The Nansha gateway, which is partly owned by sister company APM Terminals, will attract volume that in some cases move via Shenzhen ports and in others over Hong Kong. The latter is notably the case for some of the cargo that today is barged from Pearl River ports. Maersk believes that the South China load area is large enough to have three gateways and that they can develop a superior product for their clients with this setup. Direct calls in Nansha will enable customers to reduce the costs of their supply chain and provide a more reliable service.

MEDITERRANEAN CORRIDOR

On March 17, the Spanish Government finally detailed its plan for the Mediterranean Rail Corridor. The strategic railway project for freight transportation running along the Mediterranean coast and linking Spain's main seaports and industrial centres (such as Barcelona and Valencia) with Central Europe will change the current radial model of Spanish infrastructure, which makes everything pass through Madrid.

The Mediterranean rail corridor will connect the country's seaports and its major industrial centres by means of a 1,300 km rail link. The line will run from Algeciras via Malaga, Murcia and Valencia to Barcelona, and from there to France. This will open a gateway in Southern Europe for goods from Central and Northern Europe, and facilitate the exportation and importation of products to/from Africa and Asia by sea.



The EUR 51.3 billion project is to be implemented by 2020.



NEW OCEAN SERVICES

CMA CGM has upgraded its EPIC service between India, Pakistan, the Middle East and North Europe, reducing transit times to the eastern Mediterranean.

Effective March 30th, a new westbound call at Port Said will cut transit times by four days to Lattakia (Syria) and Istanbul (Turkey), by six days to Mersin (Turkey) and by seven days to Beirut (Lebanon). The Salalah call will be replaced by Khor Fakkan, to liaise with the MASCAREIGNES line serving the Indian Ocean.

The service will be calling at: Southampton > Rotterdam > Hamburg > Antwerp > Le Havre > Port Said > Khor Fakkan > Jebel Ali > Port Qasim > Nhava Sheva > Mundra > Jeddah > Port Said > Malta > Tangiers > Southampton.

In this way, CMA CGM offers multiple destinations from the Indian subcontinent to the Middle East and North Europe with calls at major transshipment ports in the Mediterranean:

- Tangiers for West Africa and Latin America
- Malta for the western Mediterranean
- Khor Fakkan for the Indian Ocean
- Port Said for the Adriatic Sea, Black Sea, Middle East (Syria, Lebanon, Egypt), Turkey and Greece

Evergreen Line launched a weekly Thailand - Malaysia - Indonesia (TMI) service on March 16th to enhance its Southeast Asia service network and replace the existing Indonesia - Malaysia (IS1) service, of which the TMI is an expansion, extending its calls to Bangkok and Laem Chabang in Thailand.

The service calls at: Bangkok > Laem Chabang > Port Klang > Tanjung Pelepas > Jakarta > Tanjung Pelepas > Bangkok.

Hanjin Shipping has received its first ore carrier: the 300,000 ton Hanjin Tubarao. The Very Large Ore Carrier (VLOC) is under long-term contract with POSCO, and will be deployed in the transportation of iron ore from Brazil to Korea. Hanjin Shipping also took delivery recently of its first 300,000 ton Very Large Crude Carrier.

NEW AIR SERVICES

Air France-KLM Cargo added new freight services linking its twin Amsterdam and Paris hubs with the U.S., Peru, Cambodia, China, Sierra Leone and Liberia.

Starting June 7, the carrier will operate a three-times-a-week flight between Paris Charles de Gaulle and Orlando, FL. The Franco-Dutch airline re-instated a similar frequency service between Amsterdam Schiphol and Miami last week. This service is in addition to the eight weekly freighter flights operated by subsidiary carrier Martinair and a Miami-Paris service.

A non-stop flight will operate five times a week between Paris and Lima, Peru, starting on June 21. This new service, in addition to the current daily flight from Amsterdam, will increase frequencies from seven to 12 per week.

The carrier's China network was boosted March 27 with the addition of a new destination, Xiamen, which will receive three weekly flights from Amsterdam. And on March 28, AF-KLM launched a three-times-a-week service from Paris via Bangkok to Phnom Penh in Cambodia.

Freetown, Sierra Leone, has been added to Air France KLM's Africa network with a twice-a-week flight from Paris. Monrovia, Liberia, also will get a twice weekly service from Paris Charles de Gaulle via Conakry, Guinea.

Iberia started three non-stop flights per week between Los Angeles CA (USA) and Madrid on March 28th, with an additional Friday flight from July to September. Iberia's transatlantic services from Barcelona opened with the new Barcelona-Miami FL (USA) route on March 29th, which will also be served three times a week.



Also within the One World Alliance, **American Airlines** is launching a service from New York-JFK to Budapest on April 5th, and on May 1, it begins a new flight from Chicago IL to Helsinki. And **British Airways** will begin a connection from San Diego CA to London on 2 June.

Cargoitalia added extra flights to Shanghai and Hong Kong in its summer 2011 schedule, effective late-March. It will now operate four times a week to Hong Kong. The Tuesday and (new) Friday services will operate via Sharjah, while the Thursday and Saturday flights will continue to route via Dubai. The airline is also increasing its flights to Shanghai from two to three times a week. All three will make a tech-stop in Krasnoyarsk in both directions.

Lufthansa Cargo is also enhancing its network at the start of the summer timetable. With effect from 27 March, the carrier is flying to three new destinations: Shenzhen (China), Kolkata (India) and Barcelona (Spain). Houston TX (USA) and Lahore (Pakistan) will receive direct links to the Lufthansa hub in Frankfurt (Germany) with a Boeing 777F operated by the joint venture AeroLogic.

MEXICO AND USA

After 15 years of refusing to comply with the North American Free Trade Agreement, the US has finally agreed to allow Mexican trucks to cross into the country. The U.S. and Mexico reached a preliminary agreement on resolving a cross-border trucking dispute that led to \$2.4 billion in Mexican tariffs on U.S. goods.

President Barack Obama and Mexican President Felipe Calderón on March 3 announced "a clear path" to ending the dispute and lifting the tariffs... at some point. U.S. and Mexican negotiators first must deal with "remaining issues" and the Obama administration must confer with "interested members of Congress."

Once a final agreement is reached, Mexico will phase-out its retaliatory tariffs, beginning with reducing tariffs 50 percent at the signing of an agreement. Mexico will suspend the remainder of

the tariffs when the first Mexican carrier is granted operating authority under the program, the White House said. The tariffs will be terminated when the program is "normalized."



NVOCCS

The US Federal Maritime Commission has published its ruling on the controversial issue of non-vessel-operating common carriers negotiated rate arrangements, interpreting a new law to be enacted on April 18.

The mandate exempts 3,300 NVOCCs from the costs and burdens of publishing their sea freight rates in tariffs. Licensed NVOs entering into negotiated rate arrangements with clients will be exempt from the need to publish rates on condition they continue to publish rules tariffs with terms and conditions governing shipments and make those rules available to the public without charge.

Rates charged by NVOCCs must be agreed and stated in writing by the date cargo is received for shipment and the NVO must retain documentation of the agreed rate for five years, and make documentation available to the FMC on request.

The National Customs Brokers and Forwarders Association of America said that during the FMC's meeting to adopt the exemption the most controversial topic was the refusal to extend the exemption to foreign-based NVOCCs. The commissioners clearly understand the sensitivity of this issue and the possibility that foreign governments may retaliate against United States NVOCCs.



ON MEMBERS

ALI, THE GORILLA

TRACOSA, our member in Spain, reports on their unique experience of bringing Ali, an 11 year old, 100 kg, female mountain gorilla, from her home Zoo in Tel-Aviv (Israel) to Bioparc in Valencia (Spain) on March 28th-29th.

They had to make all sorts of previous arrangements with the airline (Iberia) for such an unusual "cargo" and to coordinate the importer and the three people in charge of looking after Ali who came all the way with her. The first source of stress was the fact that the flight IB-3753, TLV - MAD, which was programmed for 15:50, did not leave until 16:06. Just a small delay, but a cause for anxiety nonetheless for the **TRACOSA** team, who was following up every single minute of the shipment. However, in spite of the delay, the flight arrived in MAD at 12:10, 5 minutes earlier than programmed.

It took about an hour to take the box carrying Ali from the plane to Iberia's handling warehouse. By then, there was a whole reception committee waiting for her: from Iberia's Head of Service, vets, inspectors, Ali's caretakers from Tel-Aviv and Valencia, Bioparc management, media relations directors, security guards and, of course, the **TRACOSA** team: Ms. Ana Ramos, Mr. Francisco Perez and Mr. Tomas Moreno. In all, almost 20 people, to make sure that the whole operation took place smoothly.

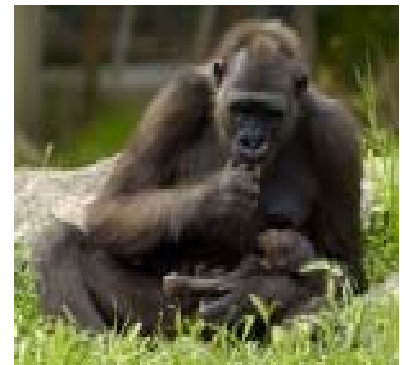
There, Ali was given half an hour to relax before her caretaker went to "chat" to her and gave her some food and drink which she really enjoyed. However, due to her obvious state of stress it was decided that the inspections would be done in a few days, when Ali has calmed down and has adapted to her new home.

Still, all the formalities were complied with thanks to Ms. Ana Ramos's highly efficient coordination work and by 00:15, all the certificates were ready and **TRACOSA** could deal with the whole procedure of importation and customs clearance. By 00:45, Ali had been "cleared" and the team from **TRACOSA** went back to the terminal to arrange her departure. This was a delicate operation that required total silence and care to avoid making Ali nervous, which could have caused many problems. As it was, she was already rather annoyed with it all and hit the box several times creating the logical initial alarm.

Finally, her box was loaded on a van from Bioparc where she travelled with the staff to Valencia. She arrived in her new home the following morning in a perfect state but rather angry with the whole human race!

Ali came to Bioparc as part of the European program for the reproduction of endangered species and her journey was only possible because the coordination and team work to manage this "special cargo" were perfect to the smallest detail.

Mr. Marco García, from **TRACOSA**, who was in charge of the coordination in Tel-Aviv and with the client, has already announced that their next challenge will be bringing an elephant for Bioparc. We tell you about that one too!



Ali at the zoo in Tel-Aviv





CONGESTION

Mr. Nakul Tanna, from **LINKS**, our member in India, reports that an unofficial "go-slow" campaign by a group of workers at Nhava Sheva has resulted in serious productivity and congestion issues over the past 10-15 days with the subsequent delays to cargo moving through the country's busiest container gateway.

Apparently this situation was created by a sudden surge in import arrivals. In fact, on Tuesday 29th morning, nearly 20,000 TEUs, mostly imports, were jamming the terminal yard, which offers just about 6,500 ground slots for container storage. In an attempt to cope with the alarming situation, the terminal management decided to close the export gate for all services until further notice.

As a result of the slowdown in the work, around 15 to 20 trains with export containers are currently either detained or regulated short of the Nhava Sheva Port for want of space and it is quite likely that these export containers will miss their scheduled vessel connections.

Mr. Tanna also explains that the Nhava Sheva port customs and dock is going to change its EDI system into a new one and therefore, during the migration period (March 31st to April 4th), the Customs and dock will be closed. In relation to this, their office has received information of stoppage of all activity at every location in the country for a period of about 24 hours from April 3rd at 2.00pm to April 4th at 11.00 am. Even after this period, delays may be experienced by users till the migration process is completed by April 5th.

HOLIDAYS

Ms. Lily Chang, from **NATIONAL EXPRESS**, TPF member in Taiwan, informs that their offices will be closed from April 2nd up to 5th for Tomb Sweeping Holiday and they will resume work on April 6th. They ask all members to take this into account when they plan their shipments.

We remind you that several TPF members will be taking a few days off for the Easter Holidays. Good Friday will be on April 22nd and many offices will remain closed until Monday 25th included. Check with them in advance if you have shipments around that time.

CONTACTS

Ms. Tina Zabielski left **WLG (USA - IL)** on March 18th and the new contacts are:

Ms. Lisa Johnstone (Director - Product Management Ocean, USA) for sea freight and pricing inquiries at lisa.johnstone@wlglogistics.com and

Mr. Sebastian Tschackert (President for the Americas) for general matters concerning WLG - USA at sebastian.tschackert@wlglogistics.com.

AWARDS, our member in the Philippines, asks you to update your files with these contact details:

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FEATURE ARTICLE

JAPAN: THE AFTERMATH OF DISASTER

The triple disaster that hit Japan this month, leaving at least 25,600 dead or missing, a large area of the country devastated and a serious threat of nuclear pollution, looks set to have an even deeper impact on the country's economy and global supply chains, triggering what experts say may be long-lasting changes in the way Japan does business.



Kanagawa Oki Nami Ura by Katsushika Hokusai

For a start, it will not be easy to climb out of the chaos. The Japanese are a people with an indomitable spirit and they are already defiantly attempting to rebuild their shattered lives. But it will take many months to dig through a tangle of steel and concrete that stretches for hundreds of kilometres and to rebuild the area.

Furthermore, Japan has a political system so set in its ways that it has trouble adapting to change. The government should have started by immediately declaring a state of emergency to override the petty regulations that snarl up disaster relief. Instead, it has been unable even to

pull together a crisis team that might give a sense of unifying leadership.

Thus, a desperate shortage of fuel, and therefore food and warmth, has added to the misery felt not only by the 260,000 homeless who have lost all, but also by those whose homes were spared. People in refugee shelters have only rice and hot soup. Red Cross staff say the lines for food are swelling with people who may have their homes, but have no food, for the shops have run out.

Some of the reasons for this fuel shortage are that the main refinery in the disaster-struck region is damaged, as were five other refineries near Tokyo - three of those still remain out of action. Northbound freight-train services were suspended for a week. There was also panic-buying of petrol as fears about supply mounted. Because of increased refining elsewhere in Japan, overall, fuel was actually never in short supply. And yet fuel is not reaching those who need it.

Even if the authorities were to take more effective control of the crisis, the short-term problems remain huge. The fuel shortage and continual power-cuts have already damaged industrial production and will have a dramatic impact on global supply chains.

The staggered power-cuts have become a major issue. Interrupting power even for a few hours sometimes forces factories to close all day. After a shutdown it can take hours to recalibrate machinery. Unsurprisingly, the disruption will be particularly acute in the electronics and automotive industries.

Japan provides 60% of the world supply of silicon wafers and the nation is the second largest global supplier of semi-conductors with 22 percent of the market. Last year the country exported \$91.3 billion worth of electronic products, including 20% of the world's computer chips.

Now, it will take many manufacturers four to six months to get back to full capacity, depending on the distance of their plants from the quake's epicentre and the speed with which Japan is able to get the electric power grid back on line. Six Sony plants already lie idle. Other electronics and technology companies, such as Apple, Panasonic, Hitachi and NEC, have also run into supply-chain problems as a result of power shortages and transportation difficulties.

The car industry, which accounts for a tenth of industrial output, has stalled. And the impact on global automotive supply chains will probably worsen substantially before it can start to improve and could affect 15% to 30% of the world's light-vehicle output within eight weeks.



Several manufacturers have resumed production of components to supply assembly plants in Japan and abroad, but their ability to resume operations is still variable and may be short-lived. Component shortages have begun to affect locations outside Japan and plants have had to turn to their depleted stockpiles. Shortages of electronic and other parts are expected to affect production in Europe and Thailand by mid-April and in India and China later in the month. Automakers are rushing to re-engineer components or switch sourcing but their ability to make quick changes is limited by technology, capital and time constraints.

The situation will only get worse as there are bound to be delays in distribution caused by the inspections for radioactivity at customs on all the containers arriving from Japan that the EU, USA and other countries have set.

Yet, in spite of all the recent destruction, the present problems and future challenges, and however much the Japanese are in turmoil and grief, few give up. Quiet confidence is growing in them that Japan will rebuild itself. They are already turning their eyes to the Sakura (Cherry Blossom) Festival that announces spring.

The spirit of revival is in the air.



EVENTS



GAM 2011 HO CHI MINH CITY VIETNAM

As you know, this year's Annual General Assembly Meeting will be taking place in Ho Chi Minh City (Vietnam) from June 10th to 12th at the **SHERATON SAIGON HOTEL & TOWERS**. The hotel will keep the special group rates for us three days prior and three days after the event dates but they advise you to book as soon as possible if you want to take advantage of their extended rates. Ho Chi Minh can get very busy during the season and there may not be rooms available.

Remember to confirm your attendance to us at your earliest convenience so that we can update the One to One Meeting Planner. The sooner we have the list of attendees, the sooner you will be able to make your appointments with other TPF members.

If there is any particular issue you would like to be addressed either at the General Meeting or at the BoD's meeting, the TPF Board of Directors encourages you to send your proposals and suggestions to the Management Office.

INTERMODAL SOUTH AMERICA 2011, SÃO PAULO, BRAZIL

Eng. Carlos Cicchini, from **RVA DO BRASIL**, TPF member in Brazil, reminds us that Intermodal South America, the most important fair in the region since it started in 1995, will be taking place this year in São Palo from April 5th to 7th.

Mr. Cicchini will be attending with a view to making new contacts and develop business. We look forward to receiving his report!

