

OWL DUBAI NEWSLETTER – JUNE 2009

Economic outlook

The UAE, India and mainland China respondents are the most confident of trade activity and growth over the next three months while Hong Kong, Australia and Singapore firms are the most bearish, according to an HSBC survey of SMEs engaged in cross-border trade.

Lawrence Webb, HSBC global head for trade and supply chain said the survey was limited to a three month span in order to more accurately reflect where suppliers are at the moment, rather than head into speculation. The HSBC Trade Confidence Index surmised that the more developed markets of Hong Kong, Singapore and Australia were less optimistic with exports down and the recession continuing to impact the overall economic activity, whereas the developing economies of UAE, India, mainland China and Vietnam have remained positive, even if they are not immune to the slowdown.

As such, developing economies posed bright prospects for trade because they were not as heavily reliant on Western markets as other more mature economies. In mainland China, India and Vietnam, government measures to stimulate the domestic economy were also buoying business confidence. Webb also noted that the various government stimulus packages in the region had helped many SMEs in emerging economies to thrive where they otherwise may not have done. He added that these developing markets were expected to recover from the downturn at a faster rate and continue to grow in 2010.

Industry Outlook – Container Shipping

The number of container ships laid up because of the global slump has decreased for the first time in six months, giving desperate ocean shipping companies a glimmer of hope that the worst is over.

According to statistics from PR News Service, the total capacity in lay up at the beginning of May totalled 1.28 million TEUs, compared with the figure a month earlier of 1.35 million TEUs. In total, the idle capacity in May amounted to just under 10 percent of the world's container fleet.

The waters around Singapore are a popular lay up choice because of the close proximity to the east-west trades. When business picks up they can quickly slot into service. The idle ships are scattered around the city-state from Bintan in Indonesia to Malaysian waters in the west. Among the capacity being reactivated from lay up are more than a dozen containerships of over 8,000 TEUs. Most are newbuildings that were immediately mothballed after delivery in late 2008 and early 2009. But with the container shipping industry moving into its traditional peak season period, carriers are keeping the bubbly on ice for the next few months. The September-October Asia market trough is being seen as the real indicator of just how much market improvement is being experienced. By that time, the delivery of many vessels with more than 8,000 TEU capacity could have taken place, and as most of that tonnage will logically head for either the Asia-Europe or Asia-US West Coast trades, the pressure will once again begin to build on the economically-fragile routes.

"We believe that the world's surplus containership capacity could be heading towards the three million TEU mark in the fourth quarter of this year, and that is extremely worrying once again, particularly because a lot of the big lines have orderbooks bulging with megaship capacity for vessels of up to 10,000 TEUs, and they can only be heading for one or two trades," a China Shipping executive said. However, on a more positive note, several Asia-headquartered lines claim that customers have recognised the need to impose general freight rate increases. Customers are generally agreeing to around 50-60 percent of the asking amount.

Hub of the future?

As many participants at a panel discussion held recently in Munich wondered what attributes exactly defined the "logistics hub of the future", a verbal exchange ensued, much to the amusement of the audience, between Ram Menen, Emirates Skycargo's divisional senior vice-president, and Lilian Chan, general manager (marketing and customer service), at Hong Kong Air Cargo Terminals Ltd (Hactl) with each staking claims for Dubai and Hong Kong as the future logistics hub respectively.

Menen, who said Dubai was the centre of the universe, highlighted the strategic location of the emirate both in the waterways and skyways that connect Asia with the West, with easy access to a huge market of some two billion consumers. He was, obviously, referring to the Indian subcontinent where Emirates Skycargo enjoys a strong position, along with other regions such as Middle East, Africa and Commonwealth of Independent States in Eastern Europe.

But Chan, who spoke after Menen, pointed out Hong Kong's strong position and easy access to an even larger market, by which she meant the Greater China region and other markets within easy reach of Hong Kong. Menen predicted that a debate was going to flare up on the question of globalisation and airports such as Atlanta or, for that matter, even JFK New York and Chicago could be potential hubs. "There will be multiple hubs," he added.

Hong Kong will be "China's gateway" and the "hub of the world", Chan said. "Seven of the world's ten major markets are located in Asia. The Yangtze River Delta and the Pearl River Delta regions contribute to some 90 percent of China's external trade and 60 percent of the PRD's trade or about four million tonnes that are handled by Hactl."

Menen told later that the Middle East region had been affected by the global economic crisis but that the decline had not been so steep as in other parts of the world. "I believe the Middle East will weather this crisis because oil prices are rising again," he said.

Emirates Skycargo, which presently operates eight freighters, has another eight freighters on order, with options on a further nine. The airline's new generation Boeing freighter arrived recently in Dubai after completing its inaugural commercial flight from Hong Kong, one of the carrier's strongest cargo routes. Menen said Emirates Skycargo, which transported some 1.3 million tonnes in the 2007/08 fiscal year, expected a decline of 20 percent in the current fiscal year because of the global economic downturn. But Menen said that Emirates Skycargo expected a recovery in its cargo volume in the final quarter of 2009. The cargo business, he said, faced problems after three years of robust growth. The drop in volume was particularly conspicuous in November and December of 2008, coinciding with the drop in business experienced by the global automotive industry. Emirates Skycargo does not transport vehicles, but moves automotive components. Some 65 percent of Emirates cargo is transported in the belly of passenger planes and the rest in freighters. Cargo contributed some 19 percent of the

airline's revenues during the 2007-08 fiscal year.

Chan told Cargonews Asia Hactl is investing over US\$1 billion in its Super Terminal-1 to keep itself fit in the increasingly competitive environment and create a strong infrastructure for the global cargo community.

A surprise third candidate claiming to become the future No. 1 hub at the panel discussion was Panama in Central America. Staking Panama's claim was Ingo-Alexander Rahn, vice-president for route management and Euro-Asia at DHL Global Forwarding. According to Rahn, Panama's attraction comes in the form of the Colon Free Zone with a cluster of more than 2,500 companies operating in an area of 450 hectares. He pointed out that Colon was the world's second biggest free zone after Hong Kong. "It has a strategic geographical location coupled with the best, most efficient and fastest distribution facilities in the Americas. The Colon zone is also served by five major ports in the region."

While the audience, comprising government officials, representatives of airports, cargo carriers and the media, listened patiently to the views expressed by each of the speakers, the general consensus was that each site had its advantages and disadvantages, looking from the perspective of their respective geographical location. However, they also agreed that as competition gets fiercer in the future, each site will try to sharpen its edges and make a strong bid to capture a greater share of the markets within its reach.

Is rapid recovery good for business?

About the worldwide recession and ensuing recovery signs, it would be a startlingly confident economic analyst who stuck his head up and made a definitive prediction on the recovery of the world's markets. Not that analysts, economists and anyone who works for a bank should worry about their reputations - those vanished along with the greatest global economic meltdown in history that they all failed to see coming.

But the point is that no one knows when the recovery will begin. Airline bosses are completely stymied: Cathay Pacific CEO Tony Tyler told last month he had no idea, as did British Airways

boss Willie Walsh a couple of weeks ago after announcing his carrier's terrible results (you have to wonder how a board of directors takes this shrugging "who the heck knows" response, especially after their CEO delivers the worst loss in the airline's history).

To be fair, the executives of any company providing transport and logistics services are in the same boat, but far from offering some kind of collective comfort, this in fact raises another potentially serious issue. With the emphasis so firmly on cost cutting and scaling back services, what happens if there is a rapid recovery from the economic mess?

As unlikely as that may seem, it certainly isn't out of the question. What if inventory replenishment orders pick up and then Christmas orders pile up on top of them with retailers banking hard on a fourth-quarter recovery? It is a complete lunatic - or an analyst - who believes he can confidently predict the spending patterns of the American public. So when Mr Bob Consumer in the US and Herr Klaus Verbraucher in Europe decide that the best antidote for a recession is to unleash a little Christmas spending, how will the pared down logistics companies support the increased business?

Useful as it may be to get orders flooding in, don't forget that supply chains these days are controlled by the demand pull rather than the production line push to avoid inventory stacking up, so a sudden surge in demand could swamp a logistics operator whose cost cuts have been too deep.

If working capital has been depleted and staff have been axed, they may find the resources to cope with a rapid increase in orders are no longer available at short notice. And what a cruel twist of fate that would be. After a year of desperately trying to preserve the bottom line, all those top line sales will be out of reach. That is a difficult position to be in, made even more so by a complete inability of transport and service providers to make sales market forecasts that don't come out of the end of a thumb.

Some indicators suggest that mainland manufacturing may be on the rebound, but what those in our business really need to know is whether the eagerly awaited recovery has begun or not.

Special Feature

Black Box – more than a box!

Air France (AF) Flight 447, that took off from Rio de Janeiro, Brazil to Paris-Charles de Gaulle, France with 228 people (216 passengers and 12 crew members) suddenly disappeared over the Atlantic Ocean on June 01.

Swift search operations were launched by Brazil Navy and Air Force to locate the missing aircraft on June 01. As Brazil Navy ships have found the bodies of two men and debris of the aircraft on June 06, it is clear that the aircraft has crashed in the Atlantic Ocean. Further 15 more bodies were recovered from the sea, 600 miles off Brazil's northeastern coast on June 07.

From the automated messages received from the aircraft just before the crash, information available are 15 minutes before the crash, the aircraft passed through a zone of stormy weather with strong turbulence. Subsequently in the aircraft autopilot disengaged, onboard computer switched to an alternate power system due to electrical faults, experienced loss of air pressure, experienced total electrical failure.

The world is awaiting eagerly to know

What actually happened to the aircraft ?

Why and How the aircraft crashed in the Atlantic Ocean ?

What happened to the passengers and crew ?

Answers to all the above questions are available in the Black Box of the aircraft that has crashed. What is this Black box...

Black Box (Flight Recorder)

Honeywell Aerospace lists the types of Flight Recorder (Black Box) as:

Cockpit Voice Recorder (SSCVR):

Has Crash Survivable Memory Unit (CSMU) to record the most recent 30 minutes or 2 hours of audio, digital and timing information. Has optional Underwater Locator Beacon (ULB).

Dimension: Height – 6.1 inch; Width – 4.8 inch; Length – 12.62 inch;

Weight: 11.5 pounds.

Designed for data recovery even if subjected to
Impact Shock – 3400 G, 6.5 milli seconds
Penetration Resistance – 500 lb weight drop from 10 feet
Static Crush – 5000 lbs, 5 minutes
High Temperature Fire - 1100°C, 30 minutes
Low Temperature Fire: 260°C, 10 hours
Deep Sea Pressure and Sea Water/Fluids Immersion: 20,000 feet for 30 days

Flight Data Recorder (SSFDR): similar to SSCVR except
CSMU can record the most recent 25 hours of digital flight data and timing information.
Dimension: Height – 5.75 inch; Width – 5.88 inch; Length – 12.62/19.62 inch;
Weight: 11.5/13.5 pounds.
Tri-axial accelerometer can measure vertical, lateral and longitudinal acceleration.

Advanced Recorder (AR):

Available as

Cockpit Voice Recorder only (AR-CVR)

Flight Data Recorder only (AR-FDR)

Combined Digital Voice and Data Recorder (AR-DVDR)

Has Underwater Locator Beacon (ULB).

Voice recording duration: 30, 60, 120 minutes.

Data recording: 10, 25 hours.

Dimension: Height – 6.1 inch; Width – 4.8 inch; Length – 9.49 inch;

Weight: 8.8 pounds.

Designed for data recovery even if subjected to
Impact Shock – 3400 G, 6.5 milli seconds
Penetration Resistance – 500 lb weight drop from 10 feet
Static Crush – 5000 lbs, 5 minutes
High Temperature Fire - 1100°C, 60 minutes , Low Temperature Fire: 260°C, 10 hours
Deep Sea Pressure and Sea Water/Fluids Immersion: 20,000 feet, 30 days

How to locate the Black Box ?

Black Box is fitted with Underwater Locator Beacon (ULB). It is also called as Emergency Locator Pingers (ELP) designed to assist in the recovery and investigation of aircraft that have gone down in water. They operate in the most extreme environments and can withstand very high levels of vibration, pressure, and temperature. On contact with sea or fresh water, transmits acoustic signal through a water activated built-in switch. They transmit an acoustic signal once every second for 30 days after activation, with the standard lithium battery or 90 days with an optional lithium battery. The transmitted acoustic signal can be received and converted to an audible signal by Acoustic Pinger Receivers. The acoustic signal can be detected in one mile radius and operating depth upto 20,000 feet.

Weight: 190 grams.

Dimension: length-9.95 cm; diameter-3.3 cm.

Generally mounted in the aft mid section of the aircraft;

Where sound absorbing materials are not present ;

Where the maximum temperature shall not exceed 71°C;

Requires maintenance and periodic beacon cleaning necessary to keep it free from dust, grease and dirt and also periodic beacon functional test must be carried out and battery need to be replaced as per the date stamped on the beacon label.

Acoustic Pinger Receivers can detect the acoustic signal from a mile away. Initially the acoustic signal is detected by a Portable Acoustic Pinger Receiver from the sea surface, from a ship to find out the approximate location of the aircraft or by a Stingray – Remotely Operated Vehicle (ROV) at varying depths as acoustic signal detection range is limited to one mile only. then, exact location can be found out by a diver with a hand-held unit.

Black Box has to be located within 30 days of the crash (before June 30). Two French submarines, including one that explored the wreck of the Titanic and another, nuclear powered warship, are on their way to hunt for the Black Box. France also has sent a ship carrying two mini-submarines capable of operating at depths of 6,000 metres to commence salvage operations. The U.S. Navy is sending to Brazil, two high-tech Towed Pinger Locators.

We all hope that 'the Black Box' can be located and a firm understanding of what went wrong can be evaluated in due course.

Dubai – Events

SCATA

Logistics players from all over the Middle East gathered at the Mina A'Salam hotel in Dubai yesterday to honour the winners of the third annual Supply Chain and Transport Awards (SCATA). With over 200 attendees visiting the marquee event, interest in the awards remained as strong as ever, despite the difficulties that have affected the worldwide industry this year.

Among the winners this year were Gulftainer, which was celebrated a surprise, but well-deserved victory in the Port Authority and Terminal Operator of the Year category, and Maersk Line, which won Shipping Company of the year. For the third year in a row, Drydocks World scooped Shipyard of the Year, while RHS Group won Shipping Agent of the Year.

In the airfreight categories, Emirates SkyCargo got back to winning ways, with a delighted Ram Menen, divisional senior vice president cargo of the airline, on hand to pick up the Cargo Operator of the Year (Commercial Airline) trophy. Cargolux won Cargo Operator of the Year (Cargo Airline), while Dubai Cargo Village took home the Air Cargo Hub of the Year for the third year in succession. TNT Express won Express Logistics Provider of the Year in a particularly hotly contested category, while GAC picked up the first of three awards by winning 3PL Service Provider of the Year. The Technology Provider of the Year was collected by Ehrhardt + Partner Solutions, while SPAN Group scored another well-deserved victory by winning Material Handling Equipment Provider of the Year. S P Jain Center of Management was victorious in the Training and Education Provider of the Year, beating off some particularly stiff competition, and GAC executives were soon celebrating again as the operator won the CSR award.

Unilever's environmentally friendly supply chain solution was a key factor in the judges' decision to award the firm FMCG Supply Chain of the Year and another surprise was in store as Ras Al Khaimah Free Trade Zone won Industrial Area of the Year.

The night was still not over for GAC, which also picked up the Outstanding Achievement award, making it a night to remember for the Dubai-based company. And last, but by no means least, the inaugural Hall of Fame Award was won by His Excellency Sultan Ahmed Bin Sulayem, chairman of Dubai World.

JAFZA – project updates

The Jebel Ali Free Zone Authority (Jafza) has announced that five colossal projects are nearing fruition, and will soon be open to the zone's many customers. Jafza officials have confirmed that the Light Industrial Unit-15, the South Zone Warehouses/Showrooms, the seven-storey staff accommodation complexes, Jafza Mall and TechnoPark's office buildings will all be finished well within the allotted timeline. Among the projects also approaching completion is the US\$681 million Convention Centre Complex.

"Jafza's strength has always been its value proposition," said Salma Hareb, CEO of Economic Zones World, Jafza's parent company. "We offer nothing short of the best to our customers. The new facilities are a key part of our efforts to optimise value. Our commitment to our customers has helped us maintain momentum and today we are proud to see the developments getting completed in good time," Hareb added

World's biggest boxship calls into Jebel Ali

The Emma Maersk has visited Dubai for the first time. The 11,000-TEU Emma Maersk, the world's largest container ship, has called in at Jebel Ali Port for the first time. Emma Maersk is just under 400 metres long and 56 metres wide, with 30 cabins on its 22 floors.

"Dubai is the largest transshipment and trading hub in west central Asia and Jebel Ali port plays a key role in this development," said Robert Uggla, managing director of Maersk UAE.

"As the leading carrier in the Middle East, Maersk Line is recently offering improved transit times to Europe and west Africa," Uggla added. Although the visit of this particular vessel is a one-off, a Maersk official, has indicated that more ships of a similar size will be docking at Jebel Ali in the course of the next few months en route from the Mediterranean to India and the Far East. This is due to increased demand in the region.

Lighter Column – which country walks the fastest!

Dubai 27th in the list of the cities ranked by the speeds at which people walk.

Pedestrians all over the world are moving faster than a decade ago, according to scientists who have conducted a study into the pace at which people walk.

Psychologists say walking speeds have increased by an average of 10 percent in the past 10 years.

People in the greatest hurry live in Singapore, according to the study of cities in 32 countries. Following in their footsteps are residents of Copenhagen in Denmark and Madrid in Spain.

Researchers in each city found a busy street with a wide pavement that was flat, free from obstacles and sufficiently uncrowded to allow people to walk at their maximum speed. The speed of each city's walkers was then timed by a team researchers, armed with stopwatches. They timed how long it took 35 men and women to walk along a 60-foot (18-meter) stretch of pavement, monitoring only adults who were on their own and ignoring those conducting mobile phone conversations or struggling with shopping bags.

The results of the study, headed by British psychologist Professor Richard Wiseman, were compared with similar results from a decade ago in an experiment carried out by American psychologist Professor Robert Levine, from California State University. Wiseman said walking speeds provided a reliable measure of the pace of life in a city. "This simple measurement provides a significant insight into the physical and social health of a city. The pace of life in our major cities is now much quicker than before. This increase in speed will affect more people than ever, because for the first time in history the majority of the world's population are now living in urban center," Wiseman said.

Surprisingly, some of the world's biggest cities did not even make the top five. New York came in at eight, London was placed 12th on the list and Tokyo was ranked 19th. The findings also explode the myth of the laid back Irish. Dublin topped Levine's table in 1997 and takes fifth place on the new list.

The study was carried out with the help of the British Council, which promotes cultural links in 109 countries.

Comparing the results with those compiled by Levine in the 1990s, the study showed that people were, on average, now walking 10 percent faster. Men were generally 25 percent quicker on their feet than women.

The biggest changes were found in the Far East. In Singapore, walking pace had increased by 30 percent and in Guangzhou, China, the pace was more than 20 percent quicker.

Here is a list, in order, of the cities ranked by the speeds at which people walk: 1) Singapore (Singapore) 2) Copenhagen (Denmark) 3) Madrid (Spain) 4) Guangzhou (China) 5) Dublin (Ireland) 6) Curitiba (Brazil) 7) Berlin (Germany) 8) New York (U.S.) 9) Utrecht (Netherlands) 10) Vienna (Austria) 11) Warsaw (Poland) 12) London (United Kingdom) 13) Zagreb (Croatia) 14) Prague (Czech Republic) 15) Wellington (New Zealand) 16) Paris (France) 17) Stockholm (Sweden) 18) Ljubljana (Slovenia) 19) Tokyo (Japan) 20) Ottawa (Canada) 21) Harare (Zimbabwe) 22) Sofia (Bulgaria) 23) Taipei (Taiwan) 24) Cairo (Egypt) 25) Sana (Yemen) 26) Bucharest (Romania) 27) Dubai (United Arab Emirates) 28) Damascus (Syria) 29) Amman (Jordan) 30) Bern (Switzerland)

See you next month same week

...cheers

...Prabhu Williams

Any feedback or comment , pls reply to dxbgent@owl.ae

P.S.

Not given solution for last edition math quiz...hope everyone got it right!!