

Following is an article which recently appeared in the Sydney Morning Herald. We believe it elucidates the airfreight space situation from China, (particularly Shanghai) very well, with 'Toshiba' describing it as contributing to the most difficult local supply situation in 19 years.

Whilst we are well placed to, and will always do whatever is possible to achieve your urgent airfreight demands, we suggest that you try to factor these market conditions into your immediate production schedules.

We will be certain to advise you as and when new air freighter services enter market.

Imports up in the air in freight flap

•By AGNES KING
March 7, 2006

Rising fuel prices and a reduction in weekly freight services between China and Australia are starting to impinge on PC makers' ability to secure stock and keep supply-chain expenses under control.

Mark Whittard, general manager of Toshiba Australia's information system division, says the notebook manufacturer is struggling to get inventory out of its Chinese manufacturing plants as a result of Qantas' decision to slash inbound flights from China to one a week, down from three, in July.

In the lead-up to Christmas, Toshiba had to import 19,000 devices on a private charter at a \$500,000 expense.

Toshiba is considering a co-operative arrangement with other big PC manufacturers - namely Acer, Hewlett-Packard and Lenovo - to explore sharing freighters.

Like most other information technology suppliers, Toshiba has spent the past two years transferring most of its manufacturing to China to take advantage of lower labour costs.

"Everyone's got the same problem because nearly all of the world's notebooks come out of China now - very few are manufactured elsewhere," Mr Whittard says. "(In the old days) there was plenty of opportunity to take product from Japan, the Philippines, China or America, whereas these days it's all coming out of one central area and air freight is at a premium."

Hewlett-Packard, which has been vying with Toshiba for the top spot in local notebook sales, agrees the tight capacity of direct flights from China on notebook supply is an ongoing concern. HP has engaged alternative arrangements such as in-direct or passenger flights to secure steady through-put.

But with massive increases in fuel costs this option is becoming more expensive.

"(Sea freight) is more attractive on cost by about \$20-\$30 per unit but you're looking at longer lead times," says Mr Whittard. "This wouldn't be such an issue if the technology didn't refresh as rapidly . . . It's almost down to (the rate) of perishable goods."

The previous 12 months have been the toughest Mr Whittard has witnessed in 19 years in the PC business, with profit margins under excruciating pressure and customers demanding instant satisfaction.

Dell claims to have escaped much of this pressure, primarily because its manufacturing centres are based in Malaysia. "Today in Australia we've actually delivering products to our customers faster than ever, not slower," says Dell Australia's corporate communications manager Paul McKeon. "The efficiency of our supply chain is well known."

Thanks and best regards
Leanne Carter-James
Commercial Manager
Specific Freight Pty Ltd
Email : leannec@specificfreight.com.au

Direct Ph: + 61 2 9695-4030
Ph: +61 2 9700 0755 FAX: +61 2 9700-0766
Mob: 0401 298 863 (+61 401 298 863)

All business is subject to the standard trading terms and conditions of Specific Freight Pty Ltd which can be viewed at www.specificfreight.com.au or available on request.