KWE Kintetsu World Express, Canada Inc.

Weekly Market Update

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Latest News

Canadian border workers may strike as soon as Aug. 6 Union representing 9,000 Canadian Border Service Agency employees voted in favour of striking, jeopardizing border reopening plans. Canadians could be facing mail disruptions and slowdowns at the border with the United States next month after members of a union representing about 9,000 Canadian Border Service Agency employees voted in favor of striking, jeopardizing the federal government's reopening plans. The Public Service Alliance of Canada and its Customs and Immigration Union announced Tuesday its members may strike as soon as Aug. 6, three days before fully vaccinated U.S. citizens will be able to visit Canada without having to quarantine for two weeks. PSAC-CIU represents 5,500 border services officers, 2,000 headquarters staff and other workers at Canada Post facilities and in inland enforcement jobs. Strike action could cause significant delays in courier and travel services, Chris Aylward, national president of Public Service Alliance of Canada, told reporters Tuesday. "We've been in negotiations for over three years, but the employer has flat out refused to address critical workplace issues impacting our members," Aylward said. Dennis Darby, president of the Canadian Manufacturers & Exporters, said in a statement that it is "imperative" that a strike be avoided and called on both sides to return to the negotiating table. "We've seen the damage caused to our economy by strikes at the Port of Montreal, imagine the impact of a strike across all the entry points of our border," Darby said. "Crossing the border is already complicated because of Covid-19 travel restrictions, and disruptions will worsen with labour disruptions. This situation will hamper manufacturers' ability to get the essential components and goods to sustain global supply chains and threatens thousands of Canadian businesses."

Air Freight

United and Air Canada renew cargo focus, but AA and Delta eyes are on passengers. The truth about the cargo ambitions of four major North American passenger airlines can be seen in first-half results that place two carriers well ahead, in terms of focus. There are several ways of looking at it: in second-quarter earnings calls, Air Canada had 21 mentions of cargo; United made 17; Delta, three; and American Airlines did not mention it once – despite decent half-year cargo revenue of $641m, more than twice that of a year earlier, when AA was very slow to get out of the blocks, cargo-wise. Or, you can look at it in terms of proportion of revenue: the results are, in fact, similar to mentions in earnings calls. Air Canada Cargo accounted for a staggering 40% of the carrier's first-half revenue (although that is likely related to the fact that total operating revenue fell year on year by 63%); the first half of 2020 saw cargo account for 10% of total revenue. United saw its cargo division account for 12% of total revenue, up from 7% a year earlier, while Delta, which this year pledged a new focus on cargo, and AA came in last, at 4.1% (up from 2.6%) and 5.5% (up from 2.7%), respectively.

Sea Freight.

Typhoon brings more supply chain chaos in China, closing air, sea and rail hubs. More freight delays are expected in China this week, after typhoon In-Fa forced the closure of Shanghai's container port and airport over the weekend. And last week, the typhoon brought devastating rainfall and flooding in China's central Henan province, disrupting operations at Zhengzhou (CGO), a major airfreight hub for cargo carriers such as Cargolux. A spokesperson for the airline said on Friday: "Flight delays have been experienced, but things are returning to normal. Although cargo flights are not restricted, customs processing of imports into CGO are delayed, but exports are not affected." However, as In-Fa headed towards the city of Zhoushan, making landfall on Sunday, it prompted the closure of Shanghai's air, sea and rail hubs just 150km north. According to CH Robinson, warehouses have also stopped container loading and deliveries to terminals. The forwarder said: "Shanghai has been closed since Friday and port operations are expected to reopen tonight around 10pm. Ningbo port was also closed on Friday, but terminals and depots are resuming this afternoon. We expect to see vessel berthing delays of four-to-six days at each port." Hundreds of flights from Shanghai and Ningbo have been cancelled. CH Robinson said Ningbo International, Shanghai Pudong and Shanghai Hongqiao were all closed yesterday. "Charter flights for today have been cancelled, while some freighters are resuming later today," the company added. According to Metro Shipping, there is a lot of cargo stuck at Pudong, and carriers are unlikely to recover flight schedules until Wednesday. The forwarder added: "Therefore, this week's rates have increased greatly and, even worse, the available space is very little."

Global container port capacity will struggle to catch up with rising demand. The bleak outlook of significantly lower throughput levels for container hub ports at the outset of the pandemic has, 18 months later, transformed into an acute capacity shortage at many terminals around the world. Ocean carriers have to juggle their networks to navigate around highly congested container ports, especially in North Europe and on the US west coast, resulting in an escalation of supply chain uncertainty. In today's HMM terminal status update, the South Korean carrier reports serious delays and congestion for vessel berthing and yard and gate issues at the majority of its port calls. Similar problems are being faced by HMM's peers: The Loadstar was told by a carrier contact last week that line schedules were a "complete mess" and at their "worst state of disruption" in recent memory. In a classic Catch-22 scenario, carriers have been highly critical of the ports for the delays, but the ports blame the shipping lines for not meeting their berthing windows. Nevertheless, the unexpected surge in container shipping demand in the wake of the pandemic, which has seen carriers grab every single available vessel to facilitate extra loaders, has put even more pressure on terminals and landside operations. Drewry's annual survey of the world's leading terminal operators highlights the problem of port capacity struggling to catch up with demand. According to its forecast update, global container port capacity is projected to increase by an average 2.5% a year to reach 1.3bn teu in 2025. In contrast, the consultant said, it was now expecting global demand to rise by an average of 5% a year over the same period, which would raise the average utilisation rate at terminals from 67% to over 75%. "While 75% utilization at a port or terminal is not sufficiently high to be of major concern, at a global level, this expectation of tightening port capacity in a market plagued by congestion, due to supply chain imbalances, is a cause for concern," said Drewry.

Box volume growth outpacing terminal development. Global container port capacity is likely to grow too slowly to meet increased volume demand, putting further pressure on supply chains, analysts at Drewry say. In its latest annual review and forecast for the sector, Drewry said capacity was set to increase by 2.5% a year to reach 1.3bn teu in 2025. Container volumes, meanwhile, were likely to expand by 5% over the same period. This would see average utilization at ports rise from its current 67% to more than 75%. "While 75% utilization at a port or terminal level is not sufficiently high to be of major concern, at a global level this expectation of tightening port capacity in a market plagued by congestion due to supply chain imbalances is a cause for concern," Drewry said. Despite a fall in volumes during the pandemic, terminal operators had demonstrated a resilience to external shocks. And while capital expenditure had been reined in to reduce costs, this was now improving again. "The strength of the recovery in demand, aided by high levels of liquidity in the financial market, have enabled operators to bring forward their investment plans, resulting in a stronger capacity outlook post-pandemic," said Drewry senior analyst Eleanor Hadland. Additional capacity would be likely to come from upgrading existing terminals rather than developing new ones and would be assisted by increased digitalization to increase the speed of throughput. Platforms such as TradeLens and GSBN would also help streamline processes. "Improving cargo flow is key," said Ms Hadland. "If via the rollout of blockchain-based technology terminal can achieve higher volumes over the same asset base, this will drive improved returns on investment." Terminal congestion has been one of the significant factors behind the breakdown in the smooth running of the containerized supply chain since volumes began to recover last year.

Market Sources

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This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics.

Kintetsu World Express is continuously monitoring the situation and will provide further updates as the information becomes available.

If you have any questions, please contact your local KWE representative.

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