Weekly Market Update

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Latest News

'Canada's supply chain is at risk' warning, as congestion hits port of Vancouver. The brakes have been applied hard on traffic flows at the port of Vancouver. In a matter of weeks, Canada's premier ocean gateway has gone from a relatively fluid situation to serious congestion that has raised alarms that retailers could miss out in the peak shopping season. In the summer, Vancouver Fraser Port Authority (VFPA) tabled record results for the first half of 2021, with overall throughput rising 7% over H1 20 and the container count going up 24% to 1.9m teu. Cargo was flowing with only minor disruption, raising hopes it could accommodate traffic from shippers looking to avoid the logjam at US west coast ports. But between mid-August and late September, the situation took a major turn for the worse: a surge of imports before the holidays filled warehouses in the area to the rafters and boxes have piled up at marine terminals. At the same time, chassis are in short supply, a situation that has been aggravated by the fact that shipping lines have restricted their intake of empty boxes following a year-on-year surge of 92% in outbound empties in August. Hence, a lot of boxes are sitting on chassis with nowhere to go, while full units are piling up on the docks. And as terminal operators struggle with high import volumes and empty boxes, there are not enough appointment slots for trucks, which has slowed down the flow of containers from the port. In the week ended 2 October, the percentage of truck trips completed in under 90 minutes fell at three of the port's four container facilities. Overall, however, truck turn times have not deteriorated significantly, so far. They slipped from an average of 38.75 minutes in August to 39.5 minutes last month. Nevertheless, trucking has turned into another challenge at the port, as available capacity has shrunk dramatically. The Port Transportation Association (PTA), which represents the trucking industry, has warned for some time about driver shortages that could hamper operations in the face of a surge in traffic. Delays in vessel arrivals have not helped the situation. On-time arrivals have slumped to 16%. Inland shippers are facing further headaches. The rise in traffic has pushed up transloading activity, resulting in a shortage of 53ft containers. At rail operator Canadian Pacific (CP), intermodal volumes rose 17% in the seven weeks to mid-September. Back at the port, container lines have tried to restrict the movement of containers into the interior, which has contributed to the shortage of units to accommodate rising intermodal demand.

Air Freight

Air cargo rates skyrocket again as forwarders scramble for capacity. The mad dash to avoid container shipping delays has seen some airfreight rates climb by ten times in a single week. Yesterday, Hellmann Worldwide Logistics told customers: "The already tense situation in the airfreight market has worsened dramatically in recent days. "An imbalance between supply and demand is emerging, with airlines continuing to convert passenger aircraft into temporary cargo planes, yet finding this is not enough." Indeed, according to the forwarder, both regular airfreight shipments and charter costs have "exploded" and, in some cases, "increased tenfold within a week." Hellmann added: "Many airlines are now operating at nearly 100% capacity, which means airports are heavily congested and global delays are inevitable. This situation is currently evident at import airports such as Atlanta, Frankfurt and New York. "With a view to the end of the peak season, we therefore expect this situation to worsen further." Dan Morgan-Evans, global cargo director at Air Charter Service (ACS), said there was "unprecedented" demand for charter flights, fuelled by a massive 500% increase in ocean freight rates on the major tradelanes, driver shortages in Europe and the continued lack of belly capacity. "We are already seeing charter prices rise to record levels," he explained. "As more aircraft are booked up, we are having to find aircraft from increasingly large distances to service key routes. This is a particular problem in Asia at the moment, with transpacific prices hitting $2m for a charter on a Boeing 777 for the first time, compared with around $750,000, at its best, pre-pandemic levels." Mr Morgan-Evans said ACS had received calls from retailers that "normally wouldn't dream of chartering", since there's no ad-hoc scheduled capacity left in the market. "It is looking like it might be what you could call a 'peak peak season'," he added. "As a result, we will no doubt have to use 'preighters' to keep up with the demand."

Air Canada grows transit flows as it prepares for arrival of freighter conversions. As the peak season kicks in, freighters cannot arrive fast enough into fleets, but quite a few operators will have to fly through part of the busiest time without these eagerly awaited assets. Air Canada (AC) and Cargojet, Canada's largest all-cargo carrier, are both awaiting converted B767-300ER cargo planes, and both have firm plans for the fleet additions. AC intends to deploy its first 767 predominantly in lanes serving Miami and Latin American markets, while Cargojet will field another freighter – its twelfth – for DHL. The cargo airline will have to use a spare aircraft, which is just completing a maintenance spell, for the DHL contract as delivery of the new freighter is delayed owing to the high volume of conversation activity, said EVP and CCO Jamie Porteous. And delivery of AC's 767-300ERF has also slipped behind schedule, said Matthieu Casey, senior director, cargo global sales and revenue optimisation, adding that it is "a small delay, measured in weeks", for which the airline had prepared. AC has been one of the leading proponents of using passenger widebody planes for cargo operations. Since March 2020 it has run more than 12,000 such flights, including a contingent of B777 and A330 aircraft with seats removed to boost load capacity. And, unlike many competitors, AC has used these flights mostly for scheduled operations rather than ad hoc activities. "We're preparing to wind down our cargo-only flying," Mr Casey said, but added that the modified 777s and A330s would be the last to exit the cargo scene. Some cargo flights are slated to stop by the end of the year, but some may continue into the first part of 2022. AC Cargo said the first of the eight 767 freighters would enter service this quarter and start flying on scheduled routes in the new year, mostly out of Toronto, AC's largest cargo station, accounting for 60% of its traffic.

Sea Freight

Ocean carriers under pressure target long-term contracts in febrile market. Time and tides wait for no-one and, so it seems, after the flood comes the ebb tide. Shipping lines seeking renewal of contracts with customers are looking to lock shippers into long-term deals while the fevered market continues to rage. However, some shippers are questioning the logic, as 2021 comes to an end, even with rates riding high, full ships, a capacity restriction imposed through congestion at major destination ports and a lack of equipment further restricting trade. Markets, it seems, have no way to go but down, according to some. Carriers are looking to shift customers onto two-year terms for 2022, with some looking at even longer periods, of three or even four years. Shippers too are taking the longer view, with one European forwarder asking: "What are the dynamics the lines are looking at?" He said there were many newbuildings coming in 2023, and the massive influx of capacity is likely to see rates soften. But he questions whether ports will be able to handle all the new vessels and "will that force rates back up?", he asks. It may be that some lines, particularly those with long-term exposures to very high charter rates, are looking to lock-in rates that will allow them to meet those obligations. According to one European shipper, the spread of rate indications on contracts from base ports in China and other parts of Asia are between $8,000 and $15,000 per 40ft, with rates for 20ft containers being quoted at much higher than 50% of the 40ft price, placing a penalty on the smaller containers. Moreover, the shipper said: "Carrier haulage has seen proposed 50% increases on costs on quotes we have had. A mantra shippers all over the world have used is that, while base rates may be stable, the myriad surcharges push up the final rate payable to astronomical levels.

Import woes continue into holiday season. Lockdown in Vietnam and the consequences of the repeatedly interrupted power supply for Chinese factories are continuing shipping delays. The holiday season will not turn out as desired for many shippers importing consumer goods from the Far East. For months now, companies have been suffering from high transport costs and a lack of freight capacity. In the fourth quarter, some companies will additionally feel the effects of the lockdown in Vietnam and the consequences of the repeatedly interrupted power supply for Chinese factories. According to experts from software company

Setlog, the situation will not change significantly until after Christmas. At the earliest, relief may come around Easter 2022. Setlog evaluated data from 2019 to 2021 from 100 companies and brands that use its software. With the data, Setlog calculated that products from Vietnam are delayed by an average of up to 25 days before they arrive in warehouses in Germany. According to the evaluation, only 17 percent of all deliveries arrive on time. In 2019, it was 70 percent, and in 2020, around 38 percent. The experts looked specifically at the ocean freight sector. The transport time for containers from the Far East increased by nine days on average. This year they are traveling up to 52 days.

Chinese box port issues adding to ocean freight volatility. Container lead times from China to US West Coast have risen by around half in 2021 and rollover rates remain high, with growing backlogs at Chinese factories and ports and power shutdowns creating further instability for international supply chains, Project44 highlights. New figures show container lead times from China to US West Coast have risen by around half in 2021 compared to 2020 and 2019 and rollover rates remain high, with growing backlogs at Chinese factories and ports and power shutdowns creating further instability for international supply chains, according freight and logistics visibility specialist Project44. It noted that a record-setting 73 cargo ships anchored off of California's Los Angeles and Long Beach last month made headlines, but cargo owners also still face major challenges on the export side in Asia, where port congestion continues at high levels at China's largest ports. According to data from Project44, as of 7 October there were around 386 ships anchored and moored off Shanghai and Ningbo – two of China's busiest ports, of which 45 were container vessels. Project44 said these numbers "spell further product shortages, delays for businesses and consumers, against a backdrop of holiday sales and a global post-Covid recovery", noting that containerised trade through Chinese ports accounts for around 40% of global container trade, and Shanghai is currently the world's busiest container port, with Ningbo the 3rd busiest container port in the world. While these berthing delays are partially driven by lingering backlogs from the Covid-19 closure of Ningbo port, the impact of Typhoon Chanthu, and China's Golden Week holidays between 1and 7 October, other factors are worsening the situation, Project44 said, highlighting: "Container rollover rates, defined as the percentage of containers that miss their scheduled sailings, have stayed high, indicating that Chinese ports are not making significant headway in dealing with excess cargo."

Misplaced Christmas empty shelf paranoia sweeps across the press. There appears to be a massive disconnect between frenzied tabloid headlines in the Western mainstream media about empty shelf paranoia in the run up to Christmas and the reality on the ground at key hubs around the world. The absolute worst in terms of global port congestion has passed multiple data points confirm, and the pressure is now on inland links to move the goods in time to make into Santa's sack for December 25. The latest global port congestion bubble map from Danish liner consultant eeSea (see below) shows the most talked about congestion areas – Shanghai and Ningbo in China and Los Angeles and Long Beach in California – have retreated from red to amber in terms of the scale of severity with 62 boxships waiting outside the two Chinese hubs, down by more than 50% since Splash last covered eeSea data seven weeks ago. Outside the southern Californian gateways there were 54 ships waiting this morning, down from highs of in excess of 70 vessels recorded last month.

Trucking

BC introduces mandatory truck driver training. Effective Oct. 18, 2021, individuals applying for a B.C. Class 1 driver's licence must successfully complete an ICBC-approved Class 1 MELT course before attempting a road test. British Columbia in implementing mandatory entry-level training (MELT) for new Class 1 commercial driver's licence applicants. Effective Oct. 18, 2021, individuals applying for a B.C. Class 1 driver's licence must successfully complete an ICBC-approved Class 1 MELT course before attempting a road test. B.C.'s MELT program was developed through a review of best practices from other Canadian jurisdictions and with input from industry in British Columbia. It was designed to align with the Standard 16-Class 1 Entry-Level Training framework introduced as part of the National Safety Code in February 2020. "Safety for everyone on our roads is always our top priority, and this new required driver training program will make our highways safer," said Rob Fleming, Minister of Transportation and Infrastructure. "A robust MELT program is just one of the ways we are committed to improving highway safety for all British Columbians."

Market Sources

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

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