

Weekly Market Update

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Latest News

Heavy rains, mudslides cut off Port of Vancouver. Canada's two largest railways expect it will take another couple of days before their main lines in southern British Columbia reopen after service was cut by torrential rain, rock slides and mudslides that caused at least one partial derailment. Montreal-based Canadian National Railway Co. says it is experiencing mudslides and washouts near Yale, B.C. and one partial derailment on a CP-owned track. CN chief operating officer Rob Reilly said heavy rain made the tracks impassable. "We've had the railroad out of service getting to Vancouver since Sunday afternoon. Quite frankly, we'll probably be out a couple more days," he told a transportation conference. The track outages are hampering the movement of goods to and from the country's largest port in Vancouver, at the same time as global supply chains are facing challenges that have led to shortages. The Vancouver Fraser Port authority says both railways "have indicated that no rail traffic is currently able to travel from Kamloops to Vancouver." However, the port in Prince Rupert says it is not affected by the weather event. Canadian Pacific Railway Ltd. says the company is experiencing a track outage north of Hope, B.C., that is affecting rail service in the region.

PM pushes continental supply chain ahead of summit. Prime Minister Justin Trudeau says he plans to use meetings with his U.S. and Mexican counterparts to push Canada's abundant supply of critical minerals and stress that the smooth flow of goods across borders is in the best interests of all three countries. Trudeau made the remarks at the outset of a crucial visit to Washington, D.C., where he spent Wednesday sitting down with U.S. officials and is set to participate on Thursday in the first so-called Three Amigos summit since 2016. When global supply chains are crunched, he said, the U.S. "could do worse" than rely on its closest friend to ensure resilience – especially when it comes to rare-earth minerals that power everything from computers and cellphones to electric vehicles. "It is a two-way street. We do well when we're working together," the prime minister told a question-and-answer session hosted by the Wilson Center. Trudeau told the crowd that his government began talking with the U.S. two or three years ago about Canada's supply of critical minerals. China is the world's leading supplier of those minerals and pandemic-induced bottlenecks have created major shortages. While Trudeau didn't name China specifically, he said Canada can't compete with some countries when it comes to the low cost of production, because those other nations "don't care" about environmental or labour standards. However, he said the trade-off is worth it because Canada is a more reliable source.

B.C. flooding could be Canada's costliest disaster as cut-off Port of Vancouver snarls supply chain. Goods arriving to be sold ahead of Christmas and staples such as food supplies will likely be stuck on ships and delayed in reaching store shelves. CALGARY/TORONTO — Extreme rains that have caused mudslides, floods and devastation in British Columbia and damaged road and rail links connecting Vancouver's port to the rest of Canada, could take a toll on the country's economic growth, according to analysts. The flooding in the Fraser Valley area could rank among the costliest natural disasters in Canada's history, both in terms of the bill to repair the damage and the broader costs to the country's economy, as containers laden with imports sit on anchored ships and shipyards at the Port of Vancouver, which is now cut off from the rest of the country, according to an economist. "Thinking about this from a provincial and federal perspective, this is an absolutely massive disruption and there are going to be costs in terms of both construction and lost economic activity because of the hindrance on international

trade,” said Kent Fellows, an economist with the University of Calgary School of Public Policy. The extent of the economic impact will depend on how quickly the Canadian Pacific Railway Ltd and The Canadian National Railway Ltd lines connecting Vancouver to the rest of the country can be repaired, he said.

Air Freight

Congestion hits air cargo flows – 'not seen things this bad in 25 years'. Severe congestion across major airports appears to be hampering air cargo volumes. Dynamic week-on-week global load factors fell 1.5%, in the week to 10 November, according to the latest research from Clive Data Services. The same week saw a 5.5% fall in global capacity, which should indicate higher load factors – but it seems demand fell. While, anecdotally, forwarders are reporting strong demand for air freight as the peak season takes off, the data suggests congestion on the ground is curbing volumes. “There is a lot of congestion – in Melbourne, Baku and Chennai, as well as Europe and the US,” said one forwarder. “In fact, it seems to be any city with a large piece of tarmac that a plane lands on. “And charters are currently being refused as congestion is not allowing them to be discharged. “But there is definitely higher demand. That is happening. Sea freight disruption and schedule failure are creating distressed ocean freight, and conversion to air freight – whether to get consumer products into stores for Christmas or components for manufacturing – has accelerated. “Even Fireman Sam couldn’t dampen this crisis. It’s what happens normally at this time of year, but on steroids.” Clive data shows volumes out of Shanghai – which has been restricted during China’s International Import Expo, with permission for charters denied – fell 16%, while southern China volumes fell 12%. Hong Kong appeared to take up some of the slack, with volumes up 16%. And volumes out of Europe fell 10%. Niall van de Wouw, MD of Clive, said: “The congestion, which looks likely to be curbing growth, is the price the industry has to pay for the lack of investment in, and appreciation of, cargo handling.” Airports across the US and Europe, notably JFK in New York, Heathrow, and Frankfurt, are facing severe delays as handlers battle a shortage of labour. But according to Fraport, the operator of Frankfurt Airport, there are other issues preventing the fast processing of shipments.

Sea Freight

Plan to run LA port 24/7 to break backlog falls short. President Joe Biden announced a deal last month to establish around-the-clock operations at the Port of Los Angeles, the largest in the U.S., to break an unprecedented container ship traffic jam blamed for driving up consumer prices. But that hasn’t happened yet. Port of Los Angeles Executive Director Gene Seroka said in an online briefing Tuesday that the sprawling complex has “24/7 capability,” but a shortage of truck drivers and nighttime warehouse workers pose problems in establishing a nonstop schedule, along with getting importers to embrace expanded hours. “It’s an effort to try to get this entire orchestra of supply chain players to get on the same calendar,” he said. Among thousands of importers, “we’ve had very few takers to date.” U.S. Transportation Secretary Pete Buttigieg said that going to a 24 hour-a-day schedule at the busiest port in the Western Hemisphere “is, of course, not flipping the switch. There are so many players, even just on the grounds of port.” With container ships stranded at ports and unloaded goods waiting for trucks, the White House hoped the longer workday at the port would help loosen the bottleneck and cut into shipping delays for everything from cars to toasters to sneakers. Delay of dwell fees. The ports of Los Angeles and Long Beach have also delayed consideration of the “Container Dwell Fee” directed at ocean carriers until Nov. 22. “There’s been significant improvement in clearing import containers from our docks in recent weeks,” said Port of Los Angeles Executive Director Gene Seroka. “I’m grateful to the many nodes of the supply chain, from shipping lines, marine terminals, trucks and cargo owners, for their increased collaborative efforts. We will continue to closely monitor the data as we approach November 22.” “We’re encouraged by the progress our supply chain partners have made in helping our terminals shed long-dwelling import containers. Clearly, everyone is working together to speed the movement of cargo and reduce the backlog of ships off the coast as quickly as possible,” said Port of Long Beach executive director Mario Cordero. “Postponing consideration of the fee provides more time, while keeping the focus on the results we need.”

Trucking

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U.S. vaccine mandate could have “disastrous” effect on capacity: TCA. The U.S. vaccine mandate, if it goes through as proposed, would be a “game changer” with a “disastrous” effect on trucking capacity. That was the message David Heller, vice-president – government affairs, with the Truckload Carriers Association (TCA) brought to its annual Canadian gathering dubbed Bridging Border Barriers. The rule would require employers with more than 100 employees to mandate vaccines. Heller said only about 50% of U.S. drivers are vaccinated, and about 62% of those say they will not get vaccinated under any circumstances. They could exit the industry, or leave large carriers to work for those with fewer than 100 employees. That means the mandate could potentially wipe out as much as 37% of the U.S. professional driving workforce. “If this were to take effect and 37% of the industry leaves, imagine the lines at the gas stations and the local stores,” Heller said of the implications. “Even if we lose 1-2% of drivers in this market because of the vaccine mandate, there are tremendous problems.” Heller remains hopeful “cooler heads will prevail.” He noted 27 states have filed suit regarding the federal proposal and that other industries outside trucking are pushing back. The U.S. Court of Appeals for the Fifth Circuit granted a motion to stay the vaccine mandate. Heller also said U.S. Secretary of Labor Marty Walsh has suggested, verbally, that “solo” truck drivers would be exempt. However, Heller’s message to carriers is: “We do like our chances [of defeating the mandate]. But let’s prepare for the worst.” Another unknown is how the rule would affect Canadian cross-border truckers. Heller says if truckers are exempted from the U.S. vaccine mandate, then the Department of Homeland Security will likely reverse vaccine mandates for truckers crossing the border. However, U.S. legislators are not likely to create an environment where Canadian truckers have easier access to the U.S. market than Americans do.

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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