

Weekly Market Update

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Latest News

Railroads Restoring Limited Service to Port of Vancouver. Limited rail service was restored to the Port of Vancouver, Canada on November 23 more than a week after torrential rains washed out roads and rail lines in the province of British Columbia. Officials, however, cautioned that it will take time to rebalance the heavily disrupted supply lines while there is the forecast of more significant rains this week. Canadian Pacific was able to operate two trains on their mainline between Vancouver and Kamloops through the hard-hit Thompson and Fraser Valley regions. The areas had received as much as 12 inches of rain on November 14 and 15 leading to widespread flooding, mudslides, and significant damage to the infrastructure as well as the loss of lives. For a time, Vancouver was mostly cut off from Eastern Canada, but in recent days crews had been able to reopen major highways for at least essential travel while warning of detours, intermittent closures, and traffic restrictions. The railroad reports that it was able to operate the two trains to perform full inspections while undertaking additional repairs. The restored line was expected to begin accepting trains later in the day at reduced speeds. CP and Canadian National will be sharing the single line initially. CN had hoped to reopen its mainline on November 24, but today announced it would be delayed a day to Thursday, November 25. The Port of Vancouver had been able to restore some truck operations, but officials said that as much as two-thirds of all the containers at the port are moved by rail. Currently, there are a total of 68 ships at the Port of Vancouver, with 23 on dock and 45 at anchor. The port reported that the inner harbor anchorages were full and demand in all areas was high and nearing capacity. Critically, there have been no grain loading operations at the port. There are 17 grain ships at anchor, as well as 11 coal carriers and seven container ships.

CN Rail issued this update on Nov 23rd: We would like to update you on the situation in lower mainland British Columbia and what it means to you as a domestic intermodal customer. As you may have seen in our corporate press release yesterday, we are estimating a track passable tomorrow, Wednesday, November 24, 2021. As we work toward our track passable target, we also continue to pre-plan our volumes at each of our terminals that are originating or destined to Vancouver. At this point we anticipate opening gates for destination Vancouver for terminals in Montreal, Brampton, the Maritimes, and the US on **Thursday, November 25, 2021**. We expect 48 to 72 hour delays in this westbound service until we clear the backlog of traffic. Vancouver Intermodal Terminal (VIT) gates will remain closed, and we will monitor that re-opening daily, and add to our communications. We will depart an eastbound 112 this evening ex: Vancouver on our shared line agreement. We will continue to update our daily messaging tomorrow as we approach the re-opening target and begin to clear backlog.

BC Floods and Road Closures. British Columbia is still grappling with recent road closures which were forced as a result of heavy rains and mudslides a week ago. Cleanup and construction efforts are underway, and Highway 3 was briefly open before closing again due to mudslides. For up to date information, check DriveBC. Before entering BC, it is important for carriers and drivers to both be checking route conditions well in advance and be prepared for what could be huge delays. Commercial truck travel in the area is extremely impacted and unable to move via traditional routes. Even if Highway 3 becomes the first truck route to move east and west in BC, the route is challenging and requires planning to take on. Truck drivers and carriers need to allow for extra time when traveling in this area and need to expect long delays due to heavy traffic, one-way traffic at times, and construction. The highways that normally connect Vancouver, BC with the rest of Canada via truck are Highways 1, 3, and 5, with 5 – the Coquihalla – typically being the busiest. Repairs efforts will be made as soon as possible, but with bridges

and sections of each road washed out, getting back to normal will take a long time. Carriers that haul into and out of Vancouver and the surrounding area will need to check route updates regularly and work with their customers to advise them of delays. Manufacturers and shippers reliant on these trade corridors will be impacted for the foreseeable future.

Could take 'days or weeks' to fix flood-damaged parts of Cape Breton. Emergency alert issued for N.S.'s Victoria, Inverness counties; residents asked to avoid road travel. Heavy rain washed out many roads in several counties in eastern Nova Scotia. It could be "days or weeks" before things get back to normal in flood-ravaged parts of Cape Breton following the rain and wind storm that swept across Nova Scotia, according to a provincial transportation official. Jamie Chisholm, the Department of Transportation's eastern district director, said Wednesday the hardest hit areas were Inverness and Victoria counties. "We've had multiple bridges compromised, some washed out completely, several roads that are impassable right now," he said. Nova Scotia's Emergency Management Office declared a state of emergency late Tuesday night for Victoria County after heavy rainfall washed out roads. The state of emergency was lifted Wednesday at noon. Parts of the Cabot Trail, a 298-kilometre highway loop in northern Cape Breton, are washed out and closed, Chisholm said, and the Gold Brook Bridge in Middle River has been "compromised" and is shut down. "A lot of it, we're going to find, I guess, more damage as the water recedes, because it's really hard to tell until the water recedes," he said. "It's probably easier to describe the number of roads that don't have problems than the ones that do."

Air Freight

Air freight rates rise into US – but mixed messages from other lanes. Air freight rates into the US are rising, with rates out of Shanghai up more than 14% in the past week, according to the TAC Index, while rates from Europe to the US are also on the up. Rates from Shanghai to North America are at \$13.62 per kg, according to the index, while out of Hong Kong they have risen 4.4%, to \$12.09/kg. Despite the rises, preliminary data shows volumes have remained steady, rather than the surge expected by the market, while load factors have declined very slightly. Shanghai, which at the start of the month saw restrictions on traffic because of the International Expo, remains at relatively low amounts of capacity – roughly 40% less than it was in July, and less than one-third of the capacity out of Hong Kong. But forwarders and handlers are reporting a rise in demand for charters. "Capacity is better after the Expo in Shanghai, as more charters are being approved from multiple origins. But it is still difficult to book for large consignments, especially volumetric cargo, and the booking window is still a few working days in advance," said one Shanghai-based forwarder. Cost-hit air cargo handlers warn of double-digit rise in charges. Forwarders can expect significant increases in air cargo terminal handling charges next year, as the sector struggles with rising costs. It's no secret that there have been some big winners, financially, from the chaos that is the current logistics market. Blue Alpha Capital yesterday noted that shipping lines had seen a nine-month net result of \$105bn. Most freighter operators publish scant results, but Atlas Air, for example, saw nine-month revenues rise to \$2.9bn, giving it adjusted net income of some \$340m.

Sea Freight

Ship fuel price highest since 2013, 'scrubber spread' widens. Marine fuel price up 47% since the beginning of the year. Just as the cost of gasoline has risen at the local pump, so too has the cost of marine fuel at the ports. The world's container ships, tankers and dry bulk carriers are spending more to cross the oceans than they have since 2013. According to Ship & Bunker, the price of 0.5% sulfur fuel known as VLSFO (very low sulfur fuel oil) at the world's top 20 ports averaged \$619.50 per ton on Friday, up 47% from the beginning of this year. The top-20 VLSFO average hit a recent high of \$639 per ton on Nov. 10. Most of the world's commercial ships switched to VLSFO as of Jan. 1, 2020, to comply with the so-called IMO 2020 regulation. Prior to that, most ships burned cheaper 3.5% sulfur fuel known as HSFO (high sulfur fuel oil). Vessels equipped with exhaust-gas scrubbers can continue to burn less expensive HSFO under the IMO 2020 regulation. The bigger the spread between HSFO and VLSFO, the more valuable it is to have a scrubber. That spread is now as high as it's been since the initial days of the regulatory changeover. Ship & Bunker estimated that the price of HSFO at the world's top 20 ports averaged \$491 per ton on Friday, up 43% from the beginning of

2021. Both VLSFO and HSFO are up sharply this year, driven up by rising Brent pricing. But as oil prices have fallen in recent weeks, HSFO pulled back more than VLSFO, pumping up the HSFO-VLSFO spread, known as the "Hi-5 Spread."

Trucking

Trucking's role in untangling the web of West Coast port congestion. The driver shortage has become a "scapegoat" for bottlenecks as empty containers, low yard productivity, limited space and unavailable chassis converge. With a historic bottleneck at the ports of Los Angeles and Long Beach in California, supply chain stakeholders seek to unearth the root causes of congestion. But the cause of the chokepoint at the San Pedro Bay ports is up for debate. The ports and fleets have been bedeviled by trailer and container issues. Chassis and dry van trailers have been scattered across the country, and some are waiting longer than usual times to be unloaded and sent back to ports and warehouses. It's gotten so bad that some carriers are charging customers detention fees for lingering trailers. "I've never seen that before," Brent Hutto, chief relationship officer for Truckstop.com, a load board that posts 1 million freight assignments a day, told Transport Dive. Trucking experts have said the industry can help solve the problem at the California ports, but they noted trucking issues are not solely — or even largely — to blame for the problems. The global supply chain has been running above-average logistics operations for more than a year. It's led to plenty of speculation — inside and outside of the industry — on the problems and possible solutions. Matt Schrap, CEO of Harbor Trucking Association, said the OTR driver shortage is one he hears a lot as a perceived solution to port congestion. He took to LinkedIn on Oct. 28 to tell people it's a false solution for ports. Adding drivers wouldn't help at all, he said. In fact, at the ports, there is no driver shortage at all, nor are chassis the main problem for port carriers, he said. Schrap told Transport Dive he sees carriers sending drivers home because they cannot secure the appointments to return empty containers to free up chassis. More drivers would just cause more congestion given that fact, he said. "There's not a driver shortage [at the ports]," said Schrap. The national OTR driver shortage is a "scapegoat" and "misdirection," he said. "The empty containers are the crux of the problem ... It's choking out carrier yards," Schrap said.

California port truckers 'drowning' in supply chain inefficiencies. As congestion clears on the water, port truckers' frustration mounts. Despite recent reports that congestion issues are easing on the water at California's major ports, drayage truckers claim this isn't the case for them — as long wait times, a flawed appointment system and other efficiency issues continue to plague marine terminal operators in the state. As Port of Oakland officials are urging ocean carriers to add direct services to their port to help relieve supply chain bottlenecks at the ports of Los Angeles and Long Beach, truckers whose livelihoods depend on how many containers they can turn in a day are bracing for possible extra capacity if steamship lines skip Southern California and head to Oakland. "All we hear in the news is the lack of congestion on the waterside and we can confirm that, but we are drowning on the landside by long lines and staffing issues at the terminals," Bill Aboudi, president of AB Trucking, told FreightWaves this week. An unreliable appointment system has drayage companies checking day and night to find open slots and vessel schedule changes — which Aboudi compared to playing musical chairs — have truckers concerned they won't be able to handle a container volume increase if some of these issues aren't addressed soon. A group of trucking company owners, each with about 30 years of drayage experience under their belts, are working with port officials in Oakland to create a task force to air their grievances and open the lines of communications with marine terminal operators.

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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