

Weekly Market Update

Version: 48 (week) → Date: 12-01-2021

Latest News

CN calls a halt to reopening in BC. Flooding in southern B.C. continues to present logistical challenges for exporters as Canadian National Railway Co. shut its service along the key freight corridor because of heavy precipitation and traffic is moving slowly through the Port of Vancouver. "The recovery of the manufacturing sector in general has slowed down and the crisis in B.C. is just going to make it worse," said Dennis Darby, the president of Canadian Manufacturers & Exporters. He said trains were running at very low rates even before the Montreal-based railway pulled the plug on its reopening efforts. "We hope ... that this gets back to normal as soon as possible, but it's going to take weeks at least, months probably." CN said it moved seven trains during the weekend but decided to "proactively close its network" because rain was causing increased debris, washout, and landslide activity. "Our crews are working to find safe and effective ways of managing the waterflow, stabilizing the infrastructure and monitoring the overall state of the network," railway spokesman Mathieu Gaudreault wrote in an email.

Diversion to Prince Rupert: CN has been able to divert some rail traffic to the Port of Prince Rupert, which remains fully operational and is not impacted by the severe weather. But CN said northbound and eastbound traffic to and from Vancouver are still affected by this situation. Canadian Pacific Railway Ltd. cars loaded with Prairie grain and fuel entered Vancouver last Wednesday for the first time in days after its rail corridor sustained heavy damage in some 30 locations between Vancouver and Kamloops, B.C.

CP needs CN track: However, the Calgary railway says it needs access to CN tracks on its busiest corridor where they share rail infrastructure in order to maximize capacity. "As CP resumes operations and moves from restoration to recovery, CP will closely co-ordinate with customers and terminals to clear the backlogs as safely and efficiently as possible," spokeswoman Salem Woodrow wrote in an email. "As a railway, we recognize how the service we provide impacts people's lives and businesses, moving fuels we depend on, the food we eat, the vehicles we drive and the clothing we wear."

Vancouver clogged: At the country's busiest port, a high number of cargo ships are anchored and hampered from unloading their loads while empty ship containers are rushed back to Asia empty. The number of empty containers through October was up 72 percent from a year ago while exports were down 11 percent, says GCT Global Container Terminals Inc. Port of Vancouver president Robin Silvester says insufficient land for container storage and transloading is accentuating the problem with shipping carriers unwilling to wait for containers to be filled in Canada.

Air Freight

Ground congestion muted air cargo growth in November. Despite strong demand, volumes fell by 1.2% versus October – reversing the trend traditionally seen in the peak build-up to Christmas – according to CLIVE Data Services. Congestion "on the ground" muted air cargo's growth in November, with volumes falling by 1.2% versus October – reversing the trend traditionally seen in the peak build-up to Christmas – according to the latest global air cargo market intelligence from industry analysts CLIVE Data Services. CLIVE's analyses of the air cargo market for the full four weeks of November 2021 measures the industry's performance to the pre-covid 2019 level, as well as providing 2020 year-over-year comparisons, to produce a meaningful assessment of the current operating performance. Last month's fall in volumes compared to October 2021 came despite a 0.5% rise in capacity, while overall air cargo rates climbed +8% in November month-on-month.

Compared to November 2019, last month recorded a 3% decline in demand, but overall air cargo rates remained buoyant at 159%. Capacity versus two years ago was -12%, lifting CLIVE's 'dynamic load factor' – based on both the volume and weight perspectives of cargo flown and capacity available to produce a true indicator of airline performance – up 2% pts to 66%. Europe to North America market data for the last week of October versus the third week of November, prior to the Thanksgiving holiday in the US, showed capacity down 7.3% and load factor up 4% pts to 86%. Air freight rates for this market consequently saw a 10% increase. Any hope that the opening up of transatlantic services would offer some relief to the cargo market was quickly eradicated by increased volumes of passenger baggage.

Sea Freight

Ocean freight capacity restoration 'is key to crisis recovery'. Growth this year in the transport of international goods has bypassed traditional scheduled containerised ocean freight services, as shippers found alternative means of getting their goods to market, new report highlights. Much of the growth this year in the transport of international goods has bypassed traditional scheduled containerized ocean freight services and been moved by other means, according to the findings of the latest Container Shipping Market Quarterly Review, published by the Global Shippers Forum (GSF) and MDS Transmodal. The report indicates that the global trade in goods has continued to grow this year, including in the third quarter (Q3) of 2021, but with deployed container shipping capacity fully utilised, that additional growth is being moved by a mix of air freight, rail services between China and Europe, and own-charter vessels or services provided by non-liner carriers. Commenting on the findings of the latest Quarterly Review, GSF director James Hookham said: "The Container Shipping Market Review shows the extent to which shippers sought out alternatives, as shipping lines priced themselves out of reach and narrowed the cost difference with offerings from other modes. A measurable share is also accounted for by vessels chartered by shippers for their own goods, or by other non-liner shipping carriers."

Port of Vancouver congestion worsens. More than 50 ships were waiting on Monday to unload at the beleaguered Port of Vancouver, still dealing with the impacts of a major storm two weeks ago and ongoing rain that continues to set back reconstruction efforts in the province of British Columbia. A provincial state of emergency has now been extended to December 14. Rail and road links from the port to the rest of the country remain an issue, meaning that containers are backing up at the port's terminals. To help tackle that challenge, the federal government is providing more than C\$4m to prepare an undeveloped 40-acre industrial site to temporarily store empty containers. The federal and provincial governments have established a joint supply chain recovery working group to help prioritize efforts to support supply chain operations, and launched a survey to gather stakeholder input to that process. The governments have asked shippers to exercise restraint in seeking to send non-essential goods into or through B.C.'s Lower Mainland. Canadian National Railway, one of Canada's two major rail lines, shut down its service in the region on Monday. "After moving seven trains during the weekend, CN took the decision to proactively close its network as the large amounts of precipitation into British Columbia were causing increased debris, washout and landslide activity," the company said. The Port of Vancouver noted in an update that "a timeline for restored rail operations through the site is currently unavailable." In the meantime, CN is sharing the Vancouver-Kamloops line of its competitor, Canadian Pacific Railway. CN has diverted some rail traffic to the Port of Prince Rupert, further to the north along the Pacific coast. Prince Rupert has not been affected by the recent weather events.

Trucking

Two B.C. container fleets face strike action by Dec. 3. Truck drivers with two fleets that serve the Port of Vancouver could go on strike as soon as Dec. 3, adding to supply chain disruptions linked to B.C. floods. Unifor has issued 72 hours' notice of the strike, following a vote by container truck drivers at Aheer and Prudential Transportation. They're looking for the fleets to adopt a pattern collective agreement reached in August with Harbour Link Transportation. That deal includes health, dental and insurance benefits for all drivers as well as higher payments for waiting time. The two fleets represent 170 trucks, or about 10% of the container trucks serving the Port of Vancouver. "For the sake of stability at Metro Vancouver's busy ports, I hope that the owners of Aheer and Prudential come to their

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senses,” said Gavin McGarrigle, Unifor Western Regional Director. “Fairness across the sector is not too much to ask.” Unifor has made a point of highlighting labor relations at Aheer Transportation, which in 2017 and 2018 was fined by the Trucking Commissioner and has lost labor board and arbitration rulings.

Market Sources

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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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