

## Weekly Market Update

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### Latest News

**Supply issues hurting small businesses at Christmas.** Small business owners say Canadians continue to support independent and local businesses this year, but meeting customer needs has become more tricky. The owners say the message from last year's marketing campaigns around how small businesses are struggling during the pandemic has stuck, and is translating to sales once more. However, capitalizing on that interest has been difficult because of inflation, shipping delays, COVID-19 outbreaks and flooding in B.C. Joanna Mileos at the Granville Island Toy Company says she has seen an increase in shoppers during the pandemic, but simultaneously faced major shipping delays. A 20-foot shipping container of toys Mileos ordered from Asia in May didn't arrive until September and getting hot products like Lego was tough because of supply chain challenges. Kimberley Dares of the Trainyard General Store in Dartmouth, N.S. says her store has also been waiting on shipments for weeks, and suppliers have told her they're backlogged due to a lack of materials.



### Air Freight

**Shipping line airlines... 'a kick up the arse' for those that won't change.** I like it. It's a kick in the face for all those people who didn't want change." So said a cargo airline executive on the moves this year by shipping lines to get into air cargo. While for some there is unease about new airlines run by shipping lines, others believe it could help shake up the industry. Maersk – and CMA CGM to some extent – are setting up end-to-end solutions to attract large shippers to their customer base. If you want to use Maersk's shipping line, the company also expects you to use its integrated services, including the airline. Forwarders are no longer welcome. Big BCOs are. Even the use of the term 'BCO' – beneficial cargo owner – is now creeping into air cargo, a first influence of the modes merging under one umbrella. CMA CGM is a slightly different beast, with forwarders reporting that there have been times this year when they were allocated space instead of CMA subsidiary Ceva. CMA still welcomes forwarders, (although there is some talk that its airline, and Ceva, have not yet settled into internal harmony). "End-to-end solutions is exactly what BCOs want," said one executive familiar with both lines. "It meets their demands. Maersk and CMA had to react to the own-controlled capacity of the forwarders." (Not everyone agrees. One major forwarder told The Loadstar this week his customers were not looking for a single end-to-end provider.) "Look at people like Jeff Bezos (Amazon), and Jack Ma (Alibaba)," argued the airline executive. "They make money by controlling the money, rather than the retailers. They control the data and know exactly what's what. Just like the integrators, FedEx and so on, also control the data." But he thinks the airlines, who infamously gave ground to the integrators all those years ago, have learned nothing from that lesson: that controlling the data, and movement on the ground, is the recipe for success and a competitive advantage. Airport-to-airport doesn't help BCOs, and fails to give airlines any competitive advantage.



### Sea Freight

**2021: a year of Covid variants and milking the freight rate cash cow.** Starting the year in lockdown and ending the year in lockdown, it all seems like a scene from the Bill Murray classic film Groundhog Day, but in between we did manage some valuable face-to-face networking. So here's hoping we can finally kick this

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nasty virus into touch in 2022! Meanwhile, 2021 proved to be a very challenging year for shippers, but an exceptionally profitable one for ocean carriers and containership owners. Soaring freight rates – both short-term and contract – along with a dysfunctional and, at times, broken supply chain heaped more misery onto the shipper community over the past year. Following the Chinese New Year in mid-February, there was a brief glimmer of hope that rates had peaked and carriers were beginning to regain some semblance of schedule reliability – but then along came the hapless Ever Given, attempting a three-point turn in the Suez Canal and blocking the waterway for a week in March. The pent-up demand from the stymied Asia-Europe supply chain overwhelmed container hub ports in North Europe, and the effect of chronic ship delays and equipment shortages rippled around the world. None more so than the southern Californian ports of Los Angeles and Long Beach, where disrupted schedules, container shortages and a spike in consumer demand conspired to back-up ships awaiting berths and labour for weeks at a time, reaching peaks of more than 80 idled vessels. And even when ships reached a discharge berth, landside delays and a dearth of truck drivers in the US and Europe led to reports of Halloween costumes arriving in mid-December!

**Ningbo tightens port entry amid surging infections.** Stricter inspections for truck drivers serving the world's third-largest container port heightens concerns that new port restrictions and factory suspensions in China will add to global supply chain problems. Rising coronavirus cases have forced the world's third-largest container shipping harbour to tighten restrictions. Container truck drivers will be subjected to inspections of digital health documents before entering China's Ningbo port. The changes took effect from December 12. Those showing red or yellow-coloured codes, indicating they live in areas with a recent occurrence of new coronavirus cases, will be banned from entry. Drivers who have travelled to those areas in the past 14 days are requested to complete home quarantine and swab tests before being granted the entry. "We call for co-operation from drivers. Those who are not qualified should temporarily avoid heading to the port area," the port said in a statement. The move comes as the country's Zhejiang province, a key manufacturing and export hub, reported 74 new cases on December 12, including 55 in Shaoxing, 11 in Ningbo and five in Hangzhou, the capital city. Local health authorities said all cases were related to the Delta variant. The port's measures are part of the travel restrictions introduced by the provincial government to curb the domestic spread of the virus. And they are expected to reignite disruption to truck and terminal operations that could hit shippers keen to get their cargo shipped before the Chinese New Year holiday. The situation also reminds people of the risks that China's "zero-Covid" strategy could lead to weeks of closure of an entire terminal, creating issues for shipping schedules and the underlying supply chain.

**Chartered ships emerged in 2021 as a way to get around congestion.** Home Depot, Costco and Walmart were among the businesses which leased ships to take control of their supply chains. Shippers looking to ensure goods arrived on time in 2021 faced an array of challenges this year. Ports were congested, ocean freight rates had skyrocketed, and shipping lines' schedule reliability was near rock-bottom. As a result, many big companies took the unusual step of chartering their own ships. Chartering vessels can get expensive, but the alternative was worse for many. Here's a look at some of the companies that sought to charter ships to exercise greater control over their supply chain.

## Trucking

**All federally regulated truck drivers to face vaccine mandates in 2022.** Federally regulated workers including truck drivers will all face a Covid-19 vaccination mandate in early 2022, under changes being proposed by the federal government. Up to this point, the on-road sector has been excluded from such mandates that were applied to the air, rail and marine sectors. The change comes as Canada prepares a mandate that will require border-crossing truck drivers to prove they're vaccinated against Covid-19 by Jan. 15. U.S. regulators have announced plans for a similar mandate, widely reported to take effect Jan. 22. Groups such as the Canadian Trucking Alliance and Private Motor Truck Council of Canada have suggested the timing of the mandates could present new challenges for already-stretched supply chains. The American Trucking Associations is fighting the U.S. rules. The Canadian government says it will continue to consult with representatives of groups including small- and mid-sized employers to finalize the latest rules, and that it will develop resources to help implement the Covid-19 vaccination requirements with workplace health and safety committees or representatives. "Many employers in these and other industries have already made vaccination mandatory for their employees. By doing so, employers and employees are helping to limit the spread of Covid-19 in their workplaces and their

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communities,” the government said in a related release. “Vaccinations are one of the strongest tools we have in the fight against Covid-19 and in keeping Canadians safe and healthy. Through these requirements we help add an extra layer of protection in federally regulated workplaces,” said Health Minister Jena-Yves Duclos.

**Canadian Manufacturers & Exporters (CME) is calling on the Canadian and U.S. governments to delay vaccine mandates for cross-border trucking slated to take effect in January 2022.** Manufacturers on both sides of the border are extremely concerned that proceeding with these measures will threaten integrated North American production and dramatically worsen current supply chain disruptions. They believe that postponing the implementation of the vaccine mandate and increasing efforts to vaccinate essential cross-border transportation workers should be the focus of the Canadian and U.S. governments. “Manufacturers are strong supporters of vaccinating all American and Canadian citizens, and that includes truckers. However, a vaccine mandate for truckers, at this time, will sideline one fifth of that workforce, make the trucking labour shortage go from bad to worse, and do severe damage to already struggling supply chains. CME urges the Canadian and US government to hit the pause button before it is too late,” said Dennis Darby, president and CEO of CME. Canadian manufacturers rely on cross-border trucking to get key materials into their plants, to maintain integrated North American manufacturing, and to ship their goods to the U.S. market. The trucking industry moves close to 70 percent of the \$648 billion Canada-US trade. This includes Canada’s food supply and critical goods. The Canadian Trucking Alliance estimates that a vaccine mandate would result in 10 percent to 20 percent of their workers being unable to do cross-border trips. As a result, manufacturers would be unable to maintain their supply chains and production will slow or stop across the country. CME echoes the calls of the Canadian Trucking Alliance, which is asking for a delay in implementing this vaccine mandate and to help the trucking industry vaccinate its workforce and provide testing options for workers who are not yet vaccinated.

## **Market Sources**

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