WEEKLY MARKET UPDATE

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SEA Freight

Port of Prince Rupert sees decline in cargo volumes in 2021 but poised for growth. The Prince Rupert Port Authority (PRPA) released its annual cargo volumes today – over 25 million tonnes moved through the Prince Rupert Gateway in Northern BC in 2021. Despite this uncharacteristic 23 percent decrease in year-over-year total volume, the Port of Prince Rupert played a vital role in ensuring the movement of essential goods on North America's West Coast and provided important economic stability for the region through a tumultuous year. With optimistic market forecasts and new capacity coming on stream, the Prince Rupert Gateway has every reason to feel confident about its performance in 2022. "With global supply chains experiencing unprecedented challenges and volatility, the Port of Prince Rupert remains proud to have been a leader in efficiency and fluidity on the West Coast and we hope to continue to offer an uncongested port of call for trans-Pacific trade as a key strategic gateway for Canada," said Shaun Stevenson, President and CEO, Prince Rupert Port Authority. "However, the decline in volumes reflects that our terminals and partners are in an extremely dynamic and competitive market, and emphasizes the importance of our work to position the Port of Prince Rupert for targeted growth in capacity and further diversification of our cargoes." The Port of Prince Rupert Gateway actively facilitates Canada's ambitions for increased international trade and economic health and is on the cusp of significant capacity increases. Port of Prince Rupert employers, industries and labour organizations have launched the Port of Prince Rupert Gateway Council and released an economic impact study that revealed that in 2020 alone, Gateway operations handled approximately $60 billion in trade value and supported an estimated 3,700 direct supply-chain jobs in Northern BC, $360 million in annual wages, and $147 million in annual government revenue. This past year, Prince Rupert leveraged its natural advantages to secure its competitive position with new service calls in its intermodal business through the introduction of an express COSCO pendulum shipping service between DP World-Prince Rupert's Fairview Container Terminal and Asia, as well as a new trans-Pacific service offered by MSC. Through a partnership between COSCO, DP World-Prince Rupert and CN, two new expedited rail services between Prince Rupert and Chicago, and Prince Rupert and Toronto, now offer an unparalleled means to transport cargo at record pace – a proposition that is all the more desirable as congestion and delays continue at other ports. Importantly, 2021 served as a significant period of construction and investment as the Port celebrated milestones and made strides towards completion of several critical infrastructure projects to help further enable trade and diversity in the Gateway.

Lines hit with collusion charges in South Korea. In a landmark ruling that will be watched carefully by other jurisdictions around the world, South Korean authorities today slapped fines on 23 containerlines, claiming they had been colluding together to keep rates high on certain intra-Asian tradelanes over a 15-year period. A total of KRW96.2bn ($81m) in fines were levied against lines including HMM, Evergreen, Wan Hai, Cosco, OOCL, Heung-A, SM Line and Korea Marine Transport Co. "We understand the shipping industry's unique position and its significance, but there's no change in our role to enforce laws on anti-competitive actions," Korea Fair Trade Commission chair Joh Sung-wook said at a news briefing. "We expect the penalty to spread fair competition culture in the shipping sector as well as pave the way for its sustainable development." In 2003, three South Korean liners agreed to set up a minimum threshold for rates between South Korea and many Southeast Asian nations. The cartel was then joined by a host of liners, both domestic and foreign, prosecutors found. Antitrust authorities around the world have been looking at liners carefully over the past 18 months, scrutinising the nature of global alliances and questioning whether they exert too much control on the main tradelanes. Earlier this month the British International Freight Association called on the UK government to investigate "distorted market conditions" within the global container shipping market. Last summer, a Pennsylvania-based home decor importer, MCS Industries., filed a complaint against carriers MSC and Cosco before the Federal Maritime Commission (FMC), claiming the lines had been "operating in tandem to exploit the Covid-19 disruption to profiteer at the expense of US consumers." Regulators from the US, the EU and China met in September and determined there was so far no evidence of anti-competitive behaviour in container shipping. In the US, a bipartisan bill that passed in the House last year aims to reform US shipping laws and give the FMC far greater powers. In 2021, container shipping recorded its greatest ever profits, while at the same time presiding over the worst schedule reliability in the history of the industry. Early indications suggest 2022 is on course to surpass last year's record liner earnings.

'Any box or ship will do' – weighing the risk of employing ageing assets. Demand surges during the pandemic causing a shortage of containers in the right place has significantly tightened equipment availability at major export hubs. Moreover, containership capacity is stretched to breaking point due to severe port congestion. This box and tonnage crunch has driven big hikes in container lease rates, vessel charter rates and prices for equipment and ships that in normal times would have been retired or recycled. And with many older containers being kept in service, the TT Club says there is a "heightened risk" from using an "any-box-will-do" solution to the market crisis. The marine insurer said: "There has additionally been anecdotal evidence of containers being brought back into service from retirement. This practice has the potential to present more challenges for all in the supply chain." TT Club suggested that, as the age profile of the boxes in circulation – around 25 million – increased, additional maintenance could be required. And it added that maintaining the in-service repair standard was critical for older boxes to prevent the risk of serious structural failures, some of which, such as corrosion, physical wear and tear to door hinges, pins and locking equipment, had the potential to cause serious accidents. Furthermore, it notes, there is some anecdotal evidence that the traditional wooden floors, routinely replaced during depot M&R, are being kept in the interests of turnaround time.

SURFACE *Transportation*

Feds extend deadline for emissions submissions. The federal government has extended the deadline for public submissions on the 2030 Emissions Reduction Plan (ERP). Since the formal engagement process launched on December 10, 2021, the government has received approximately 20,000 public submissions. In response to the overwhelming interest and feedback received so far, the deadline for public submissions to the 2030 ERP by one week to 11:59 p.m. PST on January 21, 2022. The ERP will outline how Canada plans to reduce emissions by 40 to 45 percent below 2005 levels by 2030. Government ministers and bureaucrats have also been consulting separately with provinces, territories, Indigenous peoples, industry partners, members of parliament, and the Net-Zero Advisory Body to inform the 2030 plan. The decision to extend the engagement period will give Canadians more time to contribute to the plan and build on the enthusiasm shown to date. Interested Canadians can continue to submit their ideas through the Engagement on Canada's 2030 Emissions Reduction Plan

– Public Submission Portal. The Government of Canada remains on track to establish the 2030 Emissions Reduction Plan by March 29, 2022. The Canadian Net-Zero Emissions Accountability Act was passed earlier this year. It enshrines Canada's climate goals for 2030 and 2050 into law and requires the government to establish an emissions reduction plan to achieve Canada's 2030 target. The 2030 plan will be the first emissions reduction plan established under the Act and is a key milestone on the pathway to net zero by 2050.

LTL rates to stay high in Q1, fueled by price hikes and capacity constraints. Dive Brief: Shippers will see skyrocketing LTL rates persist through March, fueled by labor and capacity constraints, sharp general rate increases and carrier consolidation, according to the January 2022 Cowen/AFS LTL Freight Index. Per-pound LTL rates are expected to drop slightly in January and then climb through March, resulting in a 35.8% increase compared to the index's January 2018 baseline. That's relatively level with what the index recorded in Q4 2021 — a 35.9% increase. "Our data and forecasting models indicate that shippers should expect and plan for the higher costs from the last quarter of 2021—which included the peak holiday season—to continue into the first quarter of 2022," said Tom Nightingale, AFS Logistics CEO, in a statement. "It's a perfect storm that's led to rising shipping rates across the board." Dive Insight: Cost per LTL shipment surged in 2021 even as weight per shipment dropped, according to an AFS presentation on January's index. Nightingale pointed to general rate increases (GRIs) and surcharges instituted by the carriers as why the normally correlating metrics diverged last year. "When you combine historically high GRIs with escalating surcharges, the usual mitigating factors such as reduced weight or shorter distance aren't enough to counterbalance the carrier's pricing power and the resulting higher rates," Nightingale said. XPO Logistics, for example, implemented a 5.9% GRI Nov. 1. Its increases typically occur in Q1, but the company pulled this GRI forward amid high demand for its services. "We didn't move as quickly as we should have on raising prices on our customers, and we are taking action on this," Mario Harik, CIO and Acting President of LTL at XPO Logistics, said in an earnings call. But GRIs and surcharges aren't solely to blame for elevated LTL rates. There's not enough truckers or capacity — exacerbated by the closure of Central Freight Lines — to match demand at more shipper-friendly rates. Additionally, consolidation has led the top 10 carriers to control over 70% of all LTL freight, per AFS, giving shippers fewer options.

The Coquihalla Highway will reopen to regular vehicle traffic between Hope and Merritt, B.C., on Jan. 19. Travel times between Hope and Merritt can be expected to take about 45 minutes longer than usual, due to reduced speed limits and temporary repairs that are in place, the Ministry of Transportation and Infrastructure warns. The province is also lifting weight restrictions on Hwy. 99 between Pemberton and Lillooet, but is warning commercial truckers to avoid the route if possible, especially if they lack winter driving experience. In the Fraser Canyon, Hwy. 1 was partially reopened from Kanaka Bar south of Lytton, to Spences Bridge, but drivers are warned to expect delays. The highway remains closed between Kanaka Bar and Hope. "When Hwy. 1 in the Fraser Canyon reopens, drivers can expect lengthy delays with additional travel times as long as two hours or longer, depending on the destination," the ministry said in a release. "Delays are a result of ongoing repairs, an at-grade train crossing, avalanche control and sections of single-lane alternating traffic, which includes a temporary single-lane bridge at the Jackass Mountain and Nicomen River crossing." The highway will be open to legal width and weight loading, but loads will be limited to 25 metres in length until the rehabilitation of the highway bridge at Nicomen River is completed. Drivers are reminded that B.C.'s winter-tire and chain-up regulations are in effect.

MARKET *Sources*

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