

LATEST News

Feds dismiss suggestion they should 'step in' as trucker convoy protests continue. Federal Public Safety Minister Marco Mendicino is dismissing a suggestion from one Ottawa city councilor that it's time for the federal government and RCMP to 'step in' to secure the downtown core, as the trucker convoy protests continue. "Ottawa police are the police of jurisdiction when it comes to Wellington Street and the city generally, but federal public safety partners, including the RCMP, PPS [Parliamentary Protective Service], sergeant-at-arms, have been in constant communication with Ottawa police," he told reporters on Tuesday. The convoy has now been entrenched on Wellington Street and along other main downtown roadways for four full days, with organizers digging in and stating an intent to stay indefinitely, despite their supporters thinning out considerably since the weekend. On Tuesday, city councilor for the Somerset Ward Catherine McKenney called for the federal government to step in. "This is federal jurisdiction, this should be turned over to the RCMP, allowing our police services to come back into our neighborhoods, and deal with things like dangerous driving, illegal parking, the noise, the harassment of people in our neighborhoods, it just has to stop," McKenney said. Ottawa police have indicated that local officers would soon begin to be repositioned back to their community-level responsibilities given the diminishing number of demonstrators, though McKenney said constituents are "at their wit's end."

AIR Freight

Shorter CNY peak for air cargo, but market shows 'a good degree of resilience'. Air freight's traditional new year peak has gone "off-piste", as the industry faces soft volumes and some capacity declines as specific airlines battle their demons –whether they be Covid, 5G or Chinese restrictions. Air freight rates out of China continued to plunge from their December highs until mid-January, when they began to rise again shortly before the start of the earlier-than-usual Chinese New Year. Last year, rates began to rise nearly a month before the Chinese holiday in mid-February, and fell sharply during. A rise was not significant again until late March/early April. "Rates out of Hong Kong and Shanghai have been softer than expected," confirmed Peyton Burnett, MD of the TAC Index, to The Loadstar Podcast, out today. "We thought there would be a bump after Cathay Pacific announced capacity cuts. In fact, rates went down, not just out of Hong Kong but also Shanghai." Volumes out of China are said to be low currently, owing to both production issues and the Olympics, added Mr Burnett. "In the second half of January, the market started to pick up, but not as strongly as expected." He added that there were two issues impacting the market: "Covid is affecting airline operations, not just staff on the ground in Hong Kong and Shanghai, but also in the US and Europe. It's a big struggle for airlines." The second issue is volumes: "There are still big volumes ready to ship in the first quarter, but they are waiting for the Chinese New Year peak and for the lower rates that come after. But the rates aren't coming off as much as people expected. There is some discount, but

not much.” He said there were key shipments expecting to move in February and March, much of which are Covid test kits which must compete for capacity with general goods, production of which will start to ramp up after the new year holiday.

SEA Freight

Second-hand box ship market still red hot, with profit to be made – for now. In an extremely tight tonnage market, the purchase price paid for many second-hand containerships is higher than their newbuild cost. However, Alphaliner has warned of the risk of exposure for buyers when the market eventually turns bearish. The consultant today reported that a record 572 container vessels, for 1.94m teu, changed ownership last year, of which MSC purchased almost a quarter – 132 ships for 453,000 teu. This enabled MSC to overtake its 2M alliance partner, Maersk, to become the world’s biggest carrier by fleet capacity. Alphaliner said the only other carrier to get anywhere near rivalling the activity of MSC in the S&P market was CMA CGM, which snapped-up 46 ships last year for around 150,000 teu of capacity. Their raids on the S&P market dwarfed the transactions of the major non-operating owners (NOOs), which traditionally regard the carriers as their charter market customers. Indeed, the carriers’ strategy of buying many of the ships they already had on charter was initially seen as a defensive measure against sky-rocketing daily hire rates and much stricter terms from shipowners. However, many of the earlier purchases have proved to be excellent investments. In fact, S&P brokers are reporting incidents of ‘flipping’, where carriers bought ships that they no longer require and are touting them at prices considerably higher than when purchased just six months or a year ago. Alphaliner reported the sale of the 2007-built 3,752 teu Spirit of Hamburg (pictured above) to Maersk in October, for \$55m. At the time, the purchase of the 14-year-old panamax by Maersk puzzled S&P brokers, they had been instructed that the carrier was “only interested in younger ships”. However, the ship appears to be back on the market and, according to Alphaliner, “is expected to be flipped to a third party”. According to vesselsvalue.com, the current value of the Spirit of Hamburg is \$61m, while recent transactions for similar ships have achieved north of \$65m.

Container shipping has greatest quarter ever — with more to come. It’s still early in the reporting cycle, but preliminary announcements by ocean carriers point to history-making profits in Q4 2021, trouncing already stratospheric expectations. Supply chain congestion — the bane of cargo shippers — has proven to be an unprecedented money-making machine for carriers. And with congestion expected to persist, liner companies could follow up blockbuster fourth-quarter results with even more highs. “The container shipping sector looks set to continue its extraordinary profitability cycle in 2022,” affirmed Drewry Maritime Financial Research. “Clearly, the pandemic and ensuing supply chain crisis ... has supercharged carrier profits.” Fresh disruptions caused by omicron should “drive further gains.” According to Deutsche Bank analyst Andy Chu, “We expect ongoing supply chain disruption” and “conditions for the container shipping [to] remain very good.”

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SURFACE *Transportation*

Canadian vaccine mandate sees little change in cross-border truck traffic. Fewer truck drivers crossed the Canada-U.S. border in the week after Canada’s new vaccine mandate was imposed, but the drop was in line with a general reduction in overall traffic. Federal data released this week said 97,321 truck drivers crossed from Jan. 17-23, representing 89.5% of the total seen the week before. But there were 119,343 non-commercial highway travelers, representing 88.2% of the numbers seen the previous week. Canada began to enforce its vaccine mandate for border-crossing truck drivers on Jan. 15, blocking unvaccinated or partially vaccinated U.S. truckers from entering the country. Canadian drivers, while allowed to return from the U.S., faced new testing and quarantine requirements. The U.S. introduced its vaccine mandate for cross-border truck drivers on Jan. 22, blocking unvaccinated or partially vaccinated drivers from entering the country. The total number of truck drivers who crossed from Jan. 17-23 was down when compared to the same week in 2021 (111,360), 2020 (106,785), and 2019 (107,665). The totals for the week of Jan. 10-16 were also lower than those seen in 2021 (112,055) and 2019 (110,742). There were 102,798 truck drivers recorded during that week in 2020, before pandemic-related restrictions began. The Canadian Trucking Alliance projected that Canada could lose 12,000-16,000 cross-border truck drivers because of the vaccine mandate, based on community-wide vaccination rates.

Alberta border blockade strands Canadian truckers for days in Montana. Truck drivers facing a deteriorating situation as protestors continue to block the Coutts border crossing in Alberta for the fourth day are likely to see some relief. The RCMP on Tuesday begun removing the blockade of protestors and vehicles. A convoy of semi-trucks, four-wheelers and farm equipment are parked on Highway 4 south of Lethbridge in support of the convoy to Ottawa with a goal to repeal a federal vaccination mandate for truckers, among other demands. Owner-operator Lovepreet Singh was stuck at the Sweet Grass port of entry in Montana due to the Alberta blockade for two days. He was seen in a video on social media pleading for help from Canadian authorities and lawmakers to help drivers stuck at the border to get through with their loads. “What may have begun as a peaceful assembly quickly turned into an unlawful blockade. While the Alberta RCMP has been in a position to conduct enforcement, we have been engaged with protestors at the Coutts border crossing in an effort to find a peaceful and safe resolution for all involved. We thought we had a path to resolution, the protestors eventually chose not to comply,” RCMP said in a release on Tuesday. “As of this morning, further action is being taken by the Alberta RCMP as this blockade continues to impede the ability for emergency agencies to provide full services to area residents. It has also negatively impacted the flow of goods and services, and impedes the public’s freedom of movement.” When Singh arrived at the border on Jan. 29 at about 6 p.m. there were about 50 to 70 trucks lined up waiting. As time went by, the number grew to about 150 commercial vehicles, mostly loaded with produce in reefers.

MARKET *Sources*

<https://theloadstar.com/shorter-cny-peak-for-air-cargo-but-market-shows-a-good-degree-of-resilience/>

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<https://www.trucknews.com/transportation/alberta-border-blockade-strands-canadian-truckers-for-days-in-montana/1003156768/>

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If you have any questions, please contact your local KWE representative.

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