

WEEKLY MARKET *UPDATE*

Week 7 → 2-16-2022

LATEST News

Trudeau invokes Emergencies Act to secure supply chains. Prime Minister Justin Trudeau on Monday invoked the national Emergencies Act to bring to an end the anti-government blockades he describes as illegal and not about peaceful protest. The government will use the act to force towing companies to remove big rigs and other vehicles that are blocking highways and other critical infrastructure, establish zones where public assembly is not allowed, and require banks to suspend or freeze accounts suspected of supporting the blockades, including those belonging to companies whose trucks are part of the convoy. Deputy Prime Minister Chrystia Freeland said the government is “serving notice” to trucking companies with vehicles involved in any of the blockades that they will have their corporate accounts frozen and lose their insurance. “Consider yourselves warned,” she said. “Send your semi-trailers home. The Canadian economy needs them to be doing legitimate work, not to be illegally making us all poorer.” Freeland said every day the Ambassador Bridge was closed \$390 million worth of trade was halted. Every day the border remains closed in Coutts, Alta., she said it affects \$48 million of trade, and in Emerson, Man., \$73 million a day. The government is invoking the act under the public order section, meaning they believe the blockades are a threat to national security. As such the act will apply across the country, including in provinces where premiers said Monday, they did not think it was needed.

Two blockades removed, CBSA says. Two blockades at the Canada-U.S. border have been dismantled, less than a day after the federal government introduced a series of new powers under the Emergencies Act. Operations have resumed at the border crossing at Coutts, Alta., as well as the Pacific Highway crossing in B.C., a Canada Border Services Agency (CBSA) spokeswoman confirmed to trucknews.com. The Coutts border blockade has been home to some of the longest-standing protests since the Freedom Convoy and other supporters began to occupy downtown Ottawa in the fight against pandemic-related restrictions. That border protest began to emerge on Jan. 29, and at times allowed limited traffic to pass. But the situation began to deteriorate yesterday when 13 people were arrested. Eleven of those arrests came when police seized multiple weapons and body armor. Two other arrests came when a northbound truck accelerated at an RCMP check stop north of Milk River, Alta., swerving at the last minute and hitting traffic cones. RCMP in Surrey also arrested four people for mischief on Sunday after a blockade began to disrupt the Pacific Highway border crossing in B.C. Another 12 arrests came Monday night. “Over the weekend I was on scene to support policing operations and to assess the situation on Highway 15 firsthand. I understand the frustration of the public who wish to see this situation end,” said A/Commr. Brian Edwards, the officer in charge of Surrey RCMP, in a press release. The Ambassador Bridge in Windsor, Ont., reopened late Sunday after a weeklong blockade. An Ontario Superior Court of Justice injunction against that protest was issued late Friday afternoon. Windsor Police say they made 46 arrests during the blockade, 43 of which involved mischief over \$5,000 and breaching a court order. Thirty-seven vehicles were also seized since the demonstrations began. The border crossing at Emerson, Man. remains closed.

AIR Freight

Is the shipping crisis good news for airfreight? Global container shipping is closer to meltdown than at any time since World War 11. With repeated shutdowns of Chinese ports due to Covid outbreaks, the six-day blockage of the Suez Canal in March 2021 and reliability at an all-time low, there has never been a worse time to be moving goods across the oceans. Don't expect any early relief, warns Nicolas Moeller, CEO Far East at forwarder IFB International Freightbridge. He told an online webinar organised by IFB's Irish partner Woodland International and the Irish Hardware Association on February 2 that ships were taking more than twice as long to make the voyage from China to the US or Europe. Empty containers are clogging up ports and now there is the prospect of a strike at the US West Coast terminals. While the shipping industry has worked very hard to try and clear the backlogs, "it's not going to change any time soon," he said. Likewise, analysts Sea-Intelligence warned in late January that problems at major US and European container ports had reached new heights, with little indication of improvement. European ports, in particular, were grappling with record congestion, while the situation in US ports was hardly better. It's not surprising then, that shippers have increasingly been turning from ocean freight to air, in search of reliability and to bypass seriously congested ports and scarce shipping capacity. It's important though not to overstate the significance of the shift from sea to air. The high seas have always carried vastly more cargo than airfreight; just four voyages by the world's largest containerships would swallow up the entire annual tonnage handled at a major air cargo gateway like Frankfurt. The switch to air isn't likely to trouble shipping operators too much, even if the problems continue into the longer term. But looking at the issue from the airfreight industry's perspective, even a tiny fraction of the world's seafreight could mean a lot of extra business for carriers, at least in the short to medium term.

Canadian government funds Winnipeg Airport infrastructure. Government of Canada funding will enable Winnipeg Richardson International Airport to add a dedicated vehicle access lane for processing cargo. Over C\$5.3m funding from Transport Canada's Airport Critical Infrastructure Programme will go towards the establishment of a new permanent structure for the security screening of non-passenger vehicles; the addition of a dedicated vehicle access lane for processing cargo; improvements to air terminal security; upgrades to airport roadway infrastructure; and projects to enable COVID-19 testing and screening at the airport. This funding is in addition to C\$7m announced under the Airport Critical Infrastructure Programme in August 2021, for the rehabilitation of the airport's airfield paved surfaces, and C\$5.7m from Transport Canada's Airport Relief Fund to help the airport maintain continued operations and essential air services for residents and workers in Winnipeg and surrounding communities. The Airport Critical Infrastructure Programme, launched in May 2021, will provide C\$571.2m in funding over five years to airports for eligible infrastructure projects related to safety, security, connectivity to mass transit systems, or testing and screening related to Covid-19 and its variants.

SEA Freight

Supply chain signals: New-container prices and production finally peak. For a telling window on the global supply chain crisis, watch the market for the containers themselves: the commoditized, corrugated steel boxes that move the world's cargo. The extremely consolidated container manufacturing industry in China built more containers than ever before in 2021: 7.18 million twenty-foot equivalent

units, according to consultancy Drewry, up 130% from 2020 and 62% from the previous record year in 2018. Record container production coincided with a record surge in prices, underscoring the sheer intensity of demand as supply chains buckled. Factories were getting close to \$4,000 per TEU for newly built containers at the peak, double the historical norm. But now, both the factory output and the price of new containers are pulling back. New boxes: Signs of easing. According to Triton International (NYSE: TRTN) and Textainer (NYSE: TGH) — the largest and second-largest box equipment lessors in the world — new container prices have fallen to \$3,400 per TEU. “New container prices have come down ... in part due to the high volume produced through 2021, easing some of the shortage,” said John O’Callaghan, Triton’s head of operations, during a conference call with analysts on Wednesday. On the manufacturing front, data from Drewry shows that container production started pulling back in Q4 2021, at 1.76 million TEUs, down 14% from 2.05 million TEUs in Q3 2021. According to Loadstar, Drewry estimates that production this year will total 4.5 million-4.8 million TEUs, down 33%-37% from 2021. Inventory levels of equipment at container factories have also rebounded. According to O’Callaghan, “The high container production in 2021 has alleviated some supply constraints. Container factory inventory is up to normal levels.”

Not much has changed' at China's ports, despite traditional post-CNY lull. The traditional post-new year (CNY) lull has helped ease China’s port congestion, but cargo backlogs and container shortages are still propping up rates. In South China, for example, services at Yantian, Shekou and Guangzhou are back to normal, according to Fibs Logistics. And in North China, Qingdao and Tianjin are also operating normally, Fibs said, but Shanghai remains the exception, given the port is still suffering “serious congestion”, with most vessels delayed by a week. However, Norman Global Logistics Asia (NGL) said the capacity situation had improved at Shanghai since the holiday, adding: “But space is still tight with many vessels having blank sailings and omitted service following the lunar new year closings in China. High volumes of cargo that was rolled before the holiday are still taking up space for departures.” There’s a similar situation at Ningbo, says NGL, with “many vessels delayed for the coming weeks”, and space remaining just as tight as before CNY. But Shenzhen and Hong Kong are faring better, NGL said, with low activity during the first week after the holiday. However, there are still some local Covid issues to contend with. The firm said: “On 8 February, several CFS warehouses in Shenzhen stopped receiving cargo due to Covid restrictions. The area still has some in place, causing local delays for factories and transport.” As The Loadstar reported on Friday, the post-CNY lull has led to slight softening of spot rates, with prices to Europe down by 4%, to \$14,258 per 40ft, and on the transpacific by just 1%, to \$10,437 per 40ft.

MARKET *Sources*

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