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WEEKLY MARKET UPDATE

KWE
Global Logistics Partner

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LATEST News

MTO grounds trucking businesses involved in 'Freedom Convoy' protests. The Ontario Ministry of Transportation has effectively shut down 39 trucking businesses in the wake of a crackdown on so-called Freedom Convoy protesters. Responding to questions from trucknews.com, the ministry confirmed that 12 suspension and seizure orders were issued to Ontario-based large truck operators involved in the protests, suspending their operating authority throughout Canada, and issuing an order to seize all the plates registered to them. Protesters from outside the province faced sanctions of their own. Twenty-seven seizure orders were issued to large truck operators from outside the province, banning them from operating any commercial motor vehicle in Ontario. The names of the sanctioned businesses, as well as the number of affected trucks, were not revealed. "In an effort to preserve future police investigations into the illegal occupation in Ottawa, the ministry will not release the names of affected businesses at this time," a ministry spokesperson said. Plates were also suspended for 24 passenger vehicles from Ontario, and 34 passenger vehicles from outside the province. Ottawa Police say 115 vehicles were towed during the protests.

AIR Freight

Airlines working together to develop sustainable fuels. A new organization aims to spur Canadian development of sustainable aviation fuel, a technology advocates say is the airline industry's best shot at reducing its greenhouse gas emissions. The Canadian Council for Sustainable Aviation Fuels (C-SAF) was launched Wednesday by a consortium of 60 airlines operating in Canada, both domestic (Air Canada, WestJet Airlines Ltd) and foreign-owned (British Airways, Cathay Pacific). The group's members also include airports, research institutions, and jet fuel producers and refiners. Geoff Tauvette, executive director of C-SAF, said the organization's mission is to develop targets and a strategy for a made-in-Canada sustainable aviation fuel industry. "There is very little (sustainable aviation fuel) being used right now in Canada, not even a significant volume being produced today in Canada," Tauvette said. "But there's a global race going on, and we would like to get the right processes in place and get it rolling to ensure we get a piece of the pie." Sustainable aviation fuel, or SAF as it is referred to in the industry, is non-petroleum based jet fuel made from renewable materials. Feedstocks can be forest and agricultural residues, industrial fats, oils and grease, municipal solid wastes and CO2 captured from industrial processes or the air. While SAF doesn't eliminate aircraft emissions entirely, it is a lower-carbon solution that can reduce carbon dioxide emissions by more than 85 percent compared with conventional jet fuel. It's also a "drop-in" fuel, meaning it doesn't require changes to aircraft or any special infrastructure at airports.

SEA Freight

Shipping braces for impact as Russia-Ukraine crisis intensifies. Freight rates for containerized goods, oil, grains and coal could increase. Major geopolitical events with tragic human costs have major effects on shipping rates — sometimes negative but very often positive. As the Russia-Ukraine crisis escalates, scenarios for higher tanker, dry bulk and container shipping rates that were considered low probability just a few weeks ago suddenly look more plausible. As Cleaves Asset Management CEO Joakim Hannisdahl put it on Wednesday, "War is a bad thing, except for shipping." Tanker markets. On Wednesday, the U.S. imposed blocking sanctions on two state-owned Russian banks, development bank VEB and military bank PSB. Sanctions were also announced by the EU, U.K. and Japan. Future sanctions could theoretically target Russian energy exports. "Russia's oil and gas exports would be firmly in the firing line of any sanctions, given that they are the lifeblood of Russia's economy, accounting for around 40% of Russia's revenues," said brokerage BRS on Monday. During a roundtable earlier this month, attorneys at Seward & Kissel speculated on how such energy sanctions might play out. Associate Andrew Jacobsen noted that Russian energy interests have been targeted by U.S. sanctions since the 2014 Crimea annexation, but by so-called sectoral sanctions with narrow targets that specifically exclude shipping, not blocking sanctions that prevent all business with U.S. entities, or that involve U.S. currency. Blocked entities are placed on the Specially Designated Nationals (SDN) list. "For the shipping industry, the biggest focus is going to be the energy sector and in particular, the state-owned entities that have largely escaped major U.S. blocking sanctions," said Jacobsen. "There are numerous Russian state-owned entities — Gazprom, Rosneft, Novatek and others — that are on the sectoral sanctions identification list but not on the SDN list. We could see the specific exemption for transportation taken out, so OFAC [Office of Foreign Assets Control] or other regulators could take the position that if you are involved in transporting oil that has been extracted in the Russian Federation, that would be viewed as sanctionable activity — which would really change the game for the shipping industry." Such sanctions, which already target transporters of Iranian and Venezuelan oil, can have far-reaching and unintended market consequences.

'Collusion' drumbeat leads to multilateral probe of shipping lines. Antitrust regulators in 5 nations respond to freight complaints of exploitative behavior during supply chain crisis. U.S. exporters and logistics companies aren't the only ones banging on the government's door to take action against global container lines for alleged service failures and unfair pricing during the pandemic. The clamor from global forwarder and shipper organizations about anticompetitive behavior got so loud that five competition authorities, including the U.S. Department of Justice, on Friday established a working group that will meet regularly to share intelligence and coordinate investigations of suspected antitrust violations. Many buyers of ocean transportation say the carriers have manipulated tight capacity during the pandemic through deferred and canceled sailings, and other measures, to drive rates up, resulting in record profits estimated to top $200 billion last year. A combination of antitrust immunity, a dozen years of consolidation that has left eight major carriers partnering in three alliances and an expansion into broader logistics services and control of data has enabled the largest carriers to dominate the market. It's the definition of an oligopoly, argue many users. The collaboration among the Justice Department, Canadian Competition Bureau, the Australian Competition and Consumer Commission, the New Zealand Commerce Commission and the U.K. Competition and Markets Authority parallels a review underway by the U.S. Federal Trade Commission into whether anticompetitive conduct by large retailers and distributors contributed to supply chain disruptions. It follows a joint campaign launched last summer by the Federal Maritime Commission and DOJ to ramp up oversight of foreign ocean carriers regarding unfair rates and fees. The FMC is also conducting an audit of whether carriers are using their concentrated market status to overcharge shippers container late fees at ports. "While the Competition Bureau has offered businesses flexibility in contributing to legitimate pandemic response efforts that benefit Canadians, we want to be clear: We have zero tolerance for any attempts to use pandemic-related supply chain disruptions as a cover for criminal collusion that harms consumers and damages Canada's economy," Commissioner Matthew Boswell said in a statement. Organizations representing cargo owners and freight agents said the collaboration among governments is positive because no single country can properly oversee the conduct of foreign-owned shipping lines and examine their activities within powerful alliances. The European Union was notably absent from the liner shipping investigation. It is the largest container import market after the U.S., but regulators there appear to be taking a wait-and-see approach.

SURFACE *Transportation*

Cargo Transporters raises driver pay again. Latest increase is biggest hike in dry van carrier's 40-year history. A heightened freight demand environment and a declining pool of drivers has carriers raising pay to keep their equipment moving. Driver wages have been climbing for roughly a year and a half now and will likely continue to step higher for an industry that struggles to recruit and retain labor in both good and bad markets. Dry van truckload carrier Cargo Transporters announced its largest-ever pay increase for over-the-road drivers. Beginning Sunday, the North Carolina-based hauler will pay solo drivers 6 cents more on all dispatched miles using practical mile calculations versus shortest-route guides. The increase raises starting base pay to 60 cents per mile. Team drivers will see an increase of 3 cents per mile. The company estimates that using practical mile calculations increases a driver's mileage by 8% on average. Starting solo drivers opting for the "all-in" pay plan will see 67 cents per mile. That's an increase from 55 cents per mile when the program was first introduced. The 40-year-old company rolled out the all-in pay option nearly a year ago. It's designed to minimize fluctuations in paychecks by prorating time off and bonuses. "This is the largest single increase in OTR driver pay the company has made since its start in 1982," Chairman John Pope stated in a press release. "We ask these drivers to sacrifice time at home with their family, uphold a high level of safety, fuel and maintain equipment, care for freight and dozens of other tasks. We are proud to offer this level of compensation for those that are the best in class in their profession." The company increased paid time off pay in January. New employees now have the opportunity to earn three weeks of PTO.

MARKET *Sources*

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This announcement applies to all Kintetsu World Express Transportation Services, including our Air Freight, Sea Freight, Ground Freight and Logistics. 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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