

# WEEKLY MARKET *UPDATE*

Week 11 → 3-17-2022

## **LATEST News**

**CP issues lockout notice to Teamsters. Close to 3,000 employees of Canadian Pacific Railway Ltd.** could be off the job early Sunday morning. Calgary-based CP Rail said in a release Wednesday that it has issued 72-hour notice to the Teamsters Canada Rail Conference of its plan to lock out employees at 00:01 eastern time on Sunday if the union and the company are unable to come to a negotiated settlement or agree to binding arbitration. CP Rail said it tabled an offer Tuesday to address 26 outstanding issues, including the union's key issues of wages, benefits and pensions through final and binding arbitration. Union adding demands: The company said the union rejected the offer and continues to table additional demands. "For the sake of our employees, our customers, the supply chain we serve and the Canadian economy that is trying to recover from multiple disruptions, we simply cannot prolong for weeks or months the uncertainty associated with a potential labour disruption," said CP Rail President and CEO Keith Creel in a release. "The world has never needed Canada's resources and an efficient transportation system to deliver them more than it does today. Delaying resolution would only make things worse. We take this action with a view to bringing this uncertainty to an end." Teamsters Canada said in a release that the company's move was expected and noted its members voted 96.7 percent to authorize strike action. Union wants to negotiate: Teamsters' spokesman Dave Fulton said the union is committed to working with federal mediators and reaching a negotiated settlement. He said the union is willing to remain at the bargaining table until the March 20 lockout deadline and beyond. "At the bargaining table, CP continues to dismiss our members' demands and are unwilling to negotiate the issues they have created," he said. "Our members are fully engaged and will be ready in the event CP carries out the notice." The union represents about 3,000 locomotive engineers, conductors, train and yard workers across Canada.

**Saskatchewan premier Scott Moe was the first to sign a petition March 16 asking the federal government to make railway service essential in light of a possible labour disruption at Canadian Pacific Railway.** He launched the petition at the annual convention of the Saskatchewan Association of Rural Municipalities and asked all delegates and guests to sign it. The petition also called on Ottawa to have back-to-work legislation ready to go if the 3,000 members of the Teamsters Canada Rail Conference walked out. Later Wednesday, CP announced it had issued a 72-hour lockout notice to its workers. That would be effective just after midnight March 20 unless the union and company can agree. Before that, both Moe and SARM president Ray Orb said a strike would be harmful. Moe said it would be "catastrophic," while Orb said this is the worst time ever for a strike. "It will affect not only the livelihoods of farmers but the lives of their cattle," he said, referring to the trains of corn coming from the United States to western feedlots and producers. The federal labour minister, Seamus O'Regan Jr., issued a statement regarding the lockout notice. "Our government respects and has faith in the collective bargaining process, because we know that the best deals are the ones reached by the parties at the bargaining tables," he said. "The minister of transport, Omar Alghabra, and I understand the impacts of a potential work stoppage and are monitoring the situation closely."

## ***AIR Freight***

**Air Canada opens cold chain centre in Toronto.** Air Canada Cargo has opened its new cold chain handling facility at Toronto Pearson International Airport. The \$16-million project was undertaken to expand the carrier's cold chain handling capabilities for shipments such as pharmaceuticals, fresh food and other perishables. "The enhanced temperature-controlled facility is the only one of its kind for a Canadian airline," said Jason Berry, vice-president, cargo, at Air Canada. Berry said the new facility adds to the recent growth at Air Canada Cargo, alongside the launch of dedicated freighter aircraft. The upgraded facility has over 30,000 square feet of temperature-controlled areas, and an expanded cooler for cold chain shipments such as pharmaceuticals, fresh food and other perishables. This is the first step in a multi-year investment plan for the facility and are part of several planned infrastructure investment projects, the company said. Multiple zones

The extended cooler can accommodate more unit load devices (ULD) and loose shipments with COL (+2°C to +8°C) and CRT (+15°C to +25°C) temperature requirements. It can also provide additional racking, and an upgraded dedicated area for active temperature control units. The renovations included the installation of energy-efficient equipment such as temperature controllers that will constantly monitor the conditions inside the facility and only regulate the temperature as needed, resulting in reduced energy consumption. As well, rapid roll-up doors have been installed to minimize the energy loss when the cooler is accessed to store or retrieve goods. LED lighting has been installed throughout the facility, further reducing energy consumption.

**Ukraine crisis, rising fuel costs drive up air cargo surcharges.** Dive Brief: Air cargo carriers are implementing higher surcharges for flights operating in Europe and Asia as the price of jet fuel climbs and carriers avoid Russia and Ukraine's airspace. UPS increased surcharges Feb. 27 on shipments from "other major Asia Pacific origins" — excluding mainland China, Hong Kong and Macau — to 19 countries in Europe. On March 7, FedEx Express surcharges increased for certain international shipments, including some "moving between Europe and countries in all regions." Airlines have also introduced fuel surcharge hikes due to rapidly rising oil prices, according to Scan Global Logistics.

With fuel being most air carriers' second-largest expense, they'll pass along the price increases, said Neel Jones Shah, Flexport's executive vice president and global head of airfreight. Airspace restrictions have also rendered some flights between Asia and Europe economically infeasible, reducing capacity and adding further cost pressure on shippers, Shah added. Dive Insight: Air cargo shippers have endured an environment of elevated costs and limited capacity since the COVID-19 pandemic began, and the ripple effects of Russia's invasion of Ukraine are poised to sustain that trend. "Rates have gone up and down but have consistently stayed about between two to three times where they have historically been pre-pandemic," Shah said. "I would say that prior to Ukraine, we were starting to get a little bit more stability."

## ***SEA Freight***

**China's lockdown will impact more than electronics from Yantian, Shanghai.** "50% of our ocean freight out of these two ports are non-electronic products". The ports of Shanghai and Yantian are known as two of the largest electronics export hubs in the world, but if you look in the containers, you will find much more than that. Using ImportGenius, American Shipper analyzed the bills of lading of Chinese exports leaving those ports bound for the United States since Feb. 1 to see what variety of items are manufactured and exported from those specific regions. In addition to televisions and other electronic goods, the 5,958 containers processed — 3,006 originating in Shanghai; 2,952 in

DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy of the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.

Yantian — were filled with everything from Tempur-Pedic electric mattresses, home and office furniture, batteries, toys, firepits, and clothing to Christmas trees, flooring, lighting, truck and auto parts, home decor, and even Amazon chassis. Importers listed on the bills of lading ranged from the nation's largest retailers and Amazon third-party sellers to 3PLs transporting products on behalf of companies like Home Depot, Lowe's and Restoration Hardware. "50% of our ocean freight out of these two ports are non-electronic products," explained Terry Unrein, COO of the Americas for Seko Logistics. "The products exported out of these ports are important for the entire U.S. supply chain." This snapshot compiled by the bills of lading research provides some much-needed insight into just how many sectors of product originate out of those two ports, which are currently being impacted by China's zero-COVID lockdown.

**Shippers will end up paying for ocean freight disruptions in Black Sea.** The disruption to ocean shipping in the Black Sea and Russia will end up increasing costs for shippers. "If you look on a map, the Black Sea looks pretty innocuous, but if you want to know why it's so important, zoom out, and you'll see just how strategic it is," said Simon Geale, executive vice-president at Proxima, a procurement and supply chain consultancy. "Vast amounts of oil, metals, and crops flow out of the region every year, making it a critical export route, but it is also a large and important link in the Eurasian route that flows east to west." Ukraine is bounded on the south by the waters of the Black Sea and the Sea of Azov, parts of which are now dangerous or impassable due to the escalating war. Ukrainian authorities suspended commercial shipping at ports on February 24, including the country's main port in Odessa, which handles 75 percent of Ukraine's sea trade. Ukraine is known as the main 'breadbasket of Europe', and restricted access to the Black Sea has immediately affected ocean shipping. The port of Odessa is Ukraine's central hub for wheat, rye, corn and barley export. Both Russia and Ukraine account for nearly 70 percent of wheat imports to Turkey and Egypt, while Ukraine remains one of China's top corn importers. Yemen and Lebanon are also heavily dependent on Ukrainian wheat.

**Is this the calm before California ports' next cargo storm?** Improved velocity and fluidity, yet higher risk after China COVID outbreak. Finally, some relief from supply chain bottlenecks for the besieged ports of Los Angeles and Long Beach. In the first two months of 2022, the queue of ships waiting for Southern California berths fell, velocity of cargo moving through terminals increased and more boxes were unloaded at Southern California docks. Relief may be brief, however. Gene Seroka, executive director of the Port of Los Angeles, acknowledged during a press conference on Wednesday that another round of cargo surges could lie ahead. This week's COVID lockdowns in Shenzhen, China, could lead to a "hockey stick" of inbound cargo volumes after factories reopen, he said. Meanwhile, inbound volumes "will likely pick up given the direction retailers are giving us on their need to replenish inventories." Then comes the risk from port labor negotiations this summer and the annual peak-season volume increase, which last year began in June. Seroka didn't sound worried. "You can't jump at shadows. You can't run around like your hair's on fire," he said. Rather, the port must use data to "see around the corners and over the hills better than in the past," and "be as resilient as possible" to "handle the surges."

## **MARKET Sources**

<https://www.producer.com/news/cp-rail-issues-lockout-notice/>

<https://www.insidelogistics.ca/labour-management/cp-issues-lockout-notice-to-teamsters-180170/>

<https://www.insidelogistics.ca/transportation/air/air-canada-opens-cold-chain-centre-in-toronto-180143/>

DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy of the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.

<https://www.insidelogistics.ca/international-conflict/invasion-of-ukraine/shippers-will-end-up-paying-for-ocean-freight-disruptions-in-black-sea-180139/>

<https://www.supplychaindive.com/news/higher-air-cargo-rates-surcharges-russia-ukraine-crisis-war/620118/>

<https://www.freightwaves.com/news/chinas-lockdown-will-impact-more-than-electronics-from-yantian-shanghai>

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.

Thank you, we appreciate your business.

Visit Our Website [www.kwe.ca](http://www.kwe.ca)



*Follow us on LinkedIn*



*DISCLAIMER - All information is provided in good faith for guidance and reference purposes only. It is of a general informational nature, and KWE Canada takes no legal responsibility for the accuracy of the information provided via this document. KWE Canada makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for any loss arising from the use of the information provided.*