

WEEKLY MARKET *UPDATE*

Week 11 → 3-24-2022

LATEST News

CP arbitration process could take weeks. Canadian Pacific Railway Ltd. rail employees are back on the job, but one labour relations expert says it could take weeks before matters are settled between the country's second-largest railway and the union representing 3,000 conductors, engineers, train and yard workers. CP Rail and Teamsters Canada Rail Conference announced early Tuesday that they have agreed to final and binding arbitration to end a work stoppage that began on the weekend. "Given the high profile of this company, the arbitration process will probably be fast-tracked, but we're not talking days, we're talking weeks," said Robert Hickey, a labour and employment professor at Queen's University, in an interview. Could affect merger deal. He also said CP Rail is well aware of the importance and need to manage labour relations and bring the dispute to a quick settlement, as it waits for approval from a U.S. regulator on its merger with U.S. railway Kansas City Southern.

AIR Freight

Airlines are adding hours of extra flight time and taking on higher fuel and labor costs to avoid closed airspace. Airspace closures over Russia and the European Union have forced airlines to come up with alternate routes to avoid restrictions, and it's adding hours of flight time and thousands in extra operating costs. On Sunday, the EU closed its airspace to "any plane owned, chartered or otherwise controlled by a Russian legal or natural person" as part of sweeping sanctions to punish Russian President Vladimir Putin. Russia responded with its own restrictions shortly after. Russian flag carrier Aeroflot was one of the first airlines to feel the impact of airspace closures. On Sunday, the airline took off on a flight from Belgrade, Serbia, to Moscow that typically flies north across Eastern Europe to its destination in Russia. However, due to the EU's newly imposed airspace restrictions, the plane had to fly around Bulgaria and across Turkey to get to Russian airspace, according to data from FlightRadar24. The detour put the flight time at five hours and 45 minutes — three hours longer than the usual two and a half hour flight.

SEA Freight

Congestion at North Europe's container ports is on the rise again, causing ocean carriers to juggle their schedules and restrict import and export operations at terminals. Vessels are arriving at North European ports already delayed by supply chain disruptions in China, and with sanctioned Russian cargo remaining on board. Maersk said today it was facing "critical yard density levels" at its Bremerhaven NTB terminal, adding: "This situation slows down the terminal operations, which will further delay our vessel arrival and departure schedules. The carrier urged cargo owners with merchant haulage to promptly collect their containers, by the latest, five working days after discharge "irrespective of agreed free times". And warned that "the severity of the situation may force us to move your container"

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to an inland storage facility. Elsewhere, many of the main container terminal hubs are suffering from terminal and landside congestion, attributed to the bunching of ULCVs and quaysides becoming overwhelmed with containers that require relaying to ports which have been omitted from schedules.

SURFACE *Transportation*

Shippers want to make rail strikes impossible. Business groups advocating for rail to be declared an essential service in the wake of this week's temporary work stoppage at Canadian Pacific Railway Ltd. say a "permanent solution" is needed to ease this country's supply chain woes. In an interview Wednesday, Fertilizer Canada president and chief executive Karen Proud said that since 2019, her industry has dealt with strikes at Canadian National Railway Co. and the Port of Montreal, in addition to the most recent labour dispute at CP. That's on top of other supply chain disruptions that have resulted from COVID-19, natural disasters like wildfires and flooding and recent border blockades and protests. "We every few years seem to get stuck in the same situation. Sometimes a couple of times a year," she said. "In the long-term, we're really hoping that the government will look at this." While CP employees are back at work now after the Teamsters Canada Rail Conference and the Calgary-based company agreed Tuesday to final and binding arbitration to end a 48-hour work stoppage, Proud said many business groups are jittery about the prospect of future labour-related supply chain disruptions – especially as a number of important collective agreements, including contracts between CP rival Canadian National Railway Co. and its employees, are set to expire later this year.

Just 3 years after 2019's trucking bloodbath, another is on the way. After two years of COVID-induced havoc in global freight markets, volatility has started to abate. FreightWaves' view of the market has become clearer, and the picture isn't pretty. We think another sharp, painful downturn in the U.S. truckload market is imminent, and it could be as bad as 2019. March has been unusually soft in the truckload freight market, according to the SONAR Outbound Tender Volume Index (OTVI). Because this index measures actual truckload tenders in the contract market, it provides a very reliable indicator of market direction. March is typically a strong month for trucking, as shippers start to stock their shelves in preparation for summer. And late March normally gets a reliable end-of-quarter boost in volumes as shippers pump sales and reduce inventories. This year, we are not seeing that surge. In fact, March volumes are softer than at any point in 2021 (other than holidays). What is causing soft truckload volumes? More than likely, the lower volumes are due to a major consumer slowdown. Inflation that began in 2020, combined with the surge in fuel prices related to increased inflation and the Russian invasion of Ukraine, have made consumers move to the sidelines. In addition to monitoring SONAR data, FreightWaves analysts also conduct channel checks through our network. Market participants are confirming what FreightWaves analysts are seeing in the data. Spot rates are falling fast and volumes are dropping. What does this mean for the rest of 2022? There are many reasons to believe that the freight market slowdown will continue, and that an oversupply of trucking capacity – particularly in the spot market – will pull rates even lower.

MARKET *Sources*

<https://www.insidelogistics.ca/labour-management/shippers-want-to-make-rail-strikes-impossible-180281/>

<https://theloadstar.com/carriers-forced-to-juggle-schedules-as-congestion-returns-to-north-europe/>

<https://theloadstar.com/war-and-lack-of-trust-keeping-shippers-wary-of-long-term-contracts/>

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<https://www.freightwaves.com/news/just-three-years-after-2019s-trucking-bloodbath-another-one-is-on-the-way>

<https://www.businessinsider.com/airlines-avoiding-closed-airspace-with-creative-routings-russia-eu-2022-3#:~:text=Russian%20and%20EU%20airspace%20closures,hours%20from%20Serbia%20to%20Moscow>

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.

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